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ESTABLISHED 1887

Pinochet, in Accepting Defeat, Spurns Idea of Early Election

By Eugene Robinson Washington Post Service SANTIAGO — President Augusto Pinochet has accepted the rejection of his rule by Chilean voters but has made clear that he intends to remain firmly in charge for the rest of his term and that he is not disposed to negotiate with the opposition for a swifter return to full democracy.

General Pinochet said of the constitutional referendum. He also squelched rumors that he might step down earlier than called for by law, promising that his regime would continue its "great project on behalf of Chile." Despite his defeat in Wednesday's plebiscite, which could have legally guaranteed him eight more years as president, General Pinochet will remain in office until elections in December 1989. He also remains head of the army, a post he retains for at least four more years.



Smashed and burned cars on a street in an Algiers neighborhood after the rioting that struck the city during the week.

Rioters Killed in Algiers 900 Are Seized In 4th Day of Price Protests

ALGIERS — Police and troops fired shots to disperse rioting youths in Algiers on Friday, witnesses said, and the armed forces confirmed there have been deaths on both sides in street battles that have swept the city for four days. Unofficial estimates say dozens have been killed and hundreds have been wounded in the riots, which were sparked by economic grievances and reinforced by Islamic militants. No official tally of the casualties has been issued.

Kiosk

Hungary Backs Danube Dam

BUDAPEST (Reuters) — The Hungarian parliament voted overwhelmingly on Friday to continue building a hydroelectric dam on the Danube despite appeals from ecologists at home and abroad. The vote was 317 to 19 to continue construction, with 31 abstentions. Environmentalists say the project will destroy wildlife, pollute the water supply of three million people and be economically senseless.

Pentagon Will Halve Number of Weapons in Its Space Shield

By John H. Cushman Jr. New York Times Service WASHINGTON — The Pentagon intends to cut in half the number of space-based weapons in the initial phase of its system to defend against attacking missiles while greatly increasing the number of ground-based weapons. Because of this and other technical changes in the program, top officials told Congress on Thursday, the military now estimates that it can complete the initial deployment at a cost of \$69 billion, cutting almost in half the previous Pentagon estimate of \$115 billion.

General Abrahamson, who is stepping down as head of the program. He was joined at the hearing by Robert B. Costello, undersecretary of defense for acquisition, and by General Robert T. Herres, vice chairman of the Joint Chiefs of Staff. Decisions on developing new satellites that would detect the launching of ballistic missiles might be made in a year or two, and they could be launched in the mid-1990s, they said.

Pentagon officials explained, program managers had cut substantially from the space-based interceptor, a weapon consisting of small rockets housed on orbiting satellites. The design of these rockets and the computers and guidance systems was simplified, and the numbers of rockets cut in half. While the total numbers are classified, previous reports have estimated that as many as 3,000 of the rockets might be deployed.

Syria Is Called the Key To Freeing of Hostage

By David B. Ottaway and Nora Boustany Washington Post Service WASHINGTON — The Lebanese group that released an Indian hostage Monday and still holds three Americans has ties to Syrian intelligence, not Iran, to play the key role in gaining his freedom, according to Lebanese, Palestinian and U.S. sources. Another hostage, the Anglican church envoy Terry Waite, is only a few days from freedom, two Lebanese newspapers reported Friday.

WASHINGTON — The two debates of the 1988 presidential campaign appear to have done exactly what the Republicans feared: They have helped revive a badly wounded Democratic ticket. Two weeks ago, many politicians and consultants, including many Democrats, were talking about the possibility that Vice President George Bush would put the election out of Michael S. Dukakis's reach weeks before Election Day.

Debates Put Democrats Back in Race

By E.J. Dionne Jr. New York Times Service WASHINGTON — The two debates of the 1988 presidential campaign appear to have done exactly what the Republicans feared: They have helped revive a badly wounded Democratic ticket. Two weeks ago, many politicians and consultants, including many Democrats, were talking about the possibility that Vice President George Bush would put the election out of Michael S. Dukakis's reach weeks before Election Day.

1988 campaign. If the Democrats needed to use the debates to persuade a wary electorate to give their ticket another hearing, the Republicans had what was on its face a simpler task: to reassure the electorate that George Bush and Dan Quayle were competent, clear-headed and not gaffe-prone. Mr. Bush, though less formidable than Mr. Dukakis, achieved that in the first debate. But it is not clear how Mr. Quayle held up his end Wednesday. The Republicans, of course, insist that he did, but the early polling suggests that after the debate, voters still harbored many doubts about the Republican vice presidential nominee and vastly preferred Mr. Bentsen's performance.

Britain's Gurkhas are facing an uncertain future as their role in Southeast Asia is reviewed.

The main link between the Islamic Jihad for the Liberation of Palestine, the shadowy group holding the three American educators, and the Syrian government is very likely the former head of intelligence for the pro-Syrian Shiite militia, Amal, according to the sources. The sources identified the man as Mustapha Dirani, an independent-minded Shiite hard-liner who was expelled from Amal in February for having refused to obey orders issued by Amal's leader, Nabih Berri. As former head of Amal intelligence, Mr. Dirani would have had direct and close ties with Syrian intelligence.

U.K. Labor: Fractious Future As Kinnock Seeks the Center, Hard-Liners Rein Him In

By Karen DeYoung Washington Post Service LONDON — By any logical political reckoning, Britain's opposition Labor Party ought to be starting the long climb back into power about now. With inflation and interest rates rising and the largest trade deficit in history, Prime Minister Margaret Thatcher's Conservative government suddenly seems vulnerable. Mrs. Thatcher's new local taxation program is widely unpopular, and the public remains worried about the deteriorating state of the National Health Service.



The leader of the Labor Party, Neil Kinnock, making his speech to the party conference.

been effectively vanquished by the party mainstream. Yet 16 months after its third straight electoral defeat, Labor remains far behind the Conservatives in public opinion polls, and many party intellectuals have begun to question whether it can ever again win power. As the party limped dispiritedly through its annual conference in the northern seaside city of Blackpool this week, its leaders acknowledged that some of Labor's most cherished beliefs — state ownership of industry, government control of the marketplace and unilateral nuclear disarmament — were unacceptable to the majority of a newly prosperous and increasingly white-collar electorate.

Table with financial data: Dow Close 42.50, The Dollar in New York DM 1.8628, Pound 1.6985, Yen 133.35, FF 6.3465.

Uzbekistan Shocked by the Socialist Heroes Who Lived Like Lords

By David Remnick Washington Post Service OKHUNBABAYEVA COLLECTIVE FARM, Uzbekistan, U.S.S.R. — Rustan Sadikhamedov has spent most of his life farming cotton in the vast fields outside Tashkent, and he cannot believe all the tales of Uzbek corruption and savagery he has read in the press. How could Sharaf Rashidov, who won 10 Orders of Lenin in his long reign as the chief of the Uzbek Communist Party, be about the size of the Kremlin and blink the tales of millions of rubles for himself and his cronies? How could the legendary Akhmadzhan Adiylov, a "hero of socialist labor" and the prototype for several adoring novels, run the Fergana Valley region like a feudal lord, living on an estate filled with peacocks, lions and concubines and locking away his personal enemies in a secret underground prison?

Tashkent and Samarkand regions. It is clear to them, however, that in order for Uzbekistan to raise its living standards, to join the rest of the country's reform campaign, the republic must learn from its past and transcend it. But it is a slow, painful process. In the Samarkand bazaar, a young butcher, Mamesharif Ergashev, described how depressed he felt recently when watching the television program "View." It showed pictures of a glittering cache of jewelry and money kept by various party bosses and played interviews with people who had lived in fear of Mr. Adiylov and his henchmen. "And all I could think," Mr. Ergashev said, "was that I wished it would all go away."

over nearly their entire economy to the raising of cotton. Uzbekistan has been what people call here a "monoculture." During the Brezhnev years, Mr. Rashidov dominated that monoculture absolutely, putting his friends and family in high offices and making them all rich. Curiously, people do not remember Mr. Rashidov as a tyrant. "Rashidov was an ordinary man, a quiet man, a writer, a soldier in World War II," said Moutal Khalmuhamedov, the Uzbek party Central Committee's new chief ideologist. Great ceremony surrounded the Uzbek mafia chiefs. They built fantastic summer homes for themselves, dressed in furs and jewels, ate the finest meats and drank French brandies. And when they died, they went to their final rest at funerals suited to monarchs. They were a self-protective lot, given to hiring private security forces.

Police Seize 30 At Soviet Rally

MOSCOW — About 30 people were detained by the police Friday during a banned demonstration by the Democratic Union, an opposition group calling for changes in the Soviet Constitution, organizers said. Yuri Mityunov, a spokesman for the group, said the organizers were seized as several hundred people gathered in Moscow's Pushkin Square for a meeting intended to mark the Soviet Union's Constitution Day, a public holiday. "According to our provisional estimates about 30 people were taken away by police," Mr. Mityunov said. The 30, some carrying banners demanding free assembly and freeing of political prisoners, were seized by police before they could start the meeting. The crowd whistled and jeered the police.

Troops Kill 4 Arabs In West Bank Riot; 6-Month High Toll

New York Times Service
JERUSALEM — Four Palestinians were shot and killed Friday by Israeli soldiers trying to quell rioting that erupted after the funeral of an Arab killed Thursday night in the occupied West Bank city of Nablus, Palestinians said.

It was the highest one-day death toll reported since April. The number of Palestinians killed by soldiers during the ten-month Arab uprising is now at least 253.

An army spokeswoman confirmed that two Palestinians had been killed in Nablus, but she said she did not know about the other deaths. She said the army was "checking the reasons for the incident."

Casualty figures among demonstrators in the West Bank and Gaza Strip have risen sharply since Israeli troops began using plastic bullets several weeks ago. Late last month, Defense Minister Yitzhak Rabin said the bullets were nonlethal. But on Aug. 26, three Palestinians were killed, and three more died the next day, most of them shot with plastic bullets.

Mr. Rabin said the reason for using plastic bullets was to increase the number of injuries and thus discourage Palestinian demonstrators — not to cause deaths. The U.S. government and United Nations officials have deplored the use of the new ammunition.

This week, a leftist Israeli mem-

ber of parliament, Yossi Sarid, called on the army to stop using the plastic bullets, adding: "They say the bullet isn't lethal, but I'm not sure the bullet knows it."

It was unclear what sort of bullets were used in the shootings Friday.

Palestinians said the rioting Friday began immediately after the funeral of Adnan Khansa, 27, a resident of Nablus who died when troops shot at stone-throwing protesters Thursday night.

Nablus residents said the soldiers had chased the demonstrators into a mosque and opened fire during an evening prayer service. The army confirmed the death of Mr. Khansa, but said troops did not enter the mosque.

Following the funeral Friday morning, Palestinians and soldiers clashed in several parts of Nablus, where riots have occurred every day this week, and the four youths were killed.

Arabs said Samir Bahoul, 18, died after being shot in the head and chest. Jamal Ali Najjar, also 18, was killed instantly by a bullet in the head, they said.

Ahli Sayeh, 22, died after being shot in the heart, officials at an Anglican hospital in Jerusalem said. The fourth youth, Ahmad Masharwi, 17, died of a gunshot wound to the head while being transported to another hospital in an ambulance, Arabs said.

An army spokesman said 14 Palestinians were wounded during the clashes. Arabs said they included two men hospitalized with critical gunshot wounds in the head.

Meanwhile, the Islamic Resistance Movement, known by its Arabic acronym Hamas, called for an end to feuding between rival Palestinian groups in a new leaflet distributed in the territories on Thursday.

Hamas has struggled for control of the Arab uprising with leaders backing the Palestine Liberation Organization. In September, supporters of the rival groups fought in the streets over the enforcement of conflicting curfew days, and set fire to one another's cars and stores.

The two movements are at odds over the status of Israel. Hamas demands the destruction of Israel, while the uprising's leadership favors a two-state solution.

In the new leaflet, Hamas blamed the rift on "the Jews and their supporters spreading rumors intended to divide our ranks."

It called for "the unity of all our people regardless of names or positions," and said: "Let our fight be united against the enemy."



The flag-draped coffin of the Bavarian premier, Franz Josef Strauss, being carried on a bier in a funeral procession through central Munich on Friday evening. Thousands of Bavarians paid their last respects to the statesman who died Monday.

Munich Honors Strauss in Regal Pomp

By Serge Schmemmann
New York Times Service
MUNICH — Bavarians bid farewell Friday to Franz Josef Strauss with a display of regal pomp and folk tradition perhaps unequalled in modern West Germany, and not seen in Munich since the fall of the Bavarian monarchy.

Virtually all major West German leaders joined a broad array of diplomats and ranking emissaries from East and West — including President Pieter W. Botha of South Africa and the presidents of Togo and Niger — for the ceremonies.

The event began with a pontifical Requiem Mass in the twin-towered Frauenkirche in Munich and ended with a twilight march down Ludwigstrasse, lined with members of old Bavarian shooting societies, bearing banners and wearing traditional dress.

Thousands of Bavarians lined the route, just

as tens of thousands had filed past Mr. Strauss's bier, in an extraordinary demonstration of grief and fealty, since his death in Regensburg last Monday. So great was the crush that the authorities extended mourning hours long past midnight Thursday.

Mr. Strauss will be buried Saturday in a private family ceremony in Rott am Inn, the northern Bavarian home town of his late wife and where she is buried.

At the time of his death at age 73, Mr. Strauss still wielded considerable influence in Bonn as the head of the Christian Social Union, the conservative Bavarian party that formed part of Chancellor Helmut Kohl's ruling coalition.

But in his Bavaria, he ruled as the undisputed and enormously popular boss, a butcher's son who loved drinking beer and munching pig's knuckles in a village guesthouse, and a brilliant statesman-politician who mingled with the

world's leaders and oversaw the development of Bavaria into one of West Germany's most prosperous provinces.

At a memorial meeting in the Hercules Hall, in the old royal palace, the West German state president, Richard von Weizsäcker, said, "He thought in great perspectives and broad horizons, and he saw politics as a historic task."

"But in this world he always remained the immutable son of his Bavarian homeland," Deputy premiers of the Soviet Union, China and East Germany attended, testifying to the economic and political ties Mr. Strauss had forged with the Communist world, despite his anti-Communism.

Pope John Paul II sent a message of condolence at "the heavy loss of this great and worthy Christian statesman," and Cardinal Joseph Ratzinger, a Bavarian, celebrated the Requiem Mass.

Israel Gives Polio Shots After Suspected Cases

JERUSALEM — Israel on Friday began vaccinating residents up to the age of 40 in its territory and in the occupied West Bank and Gaza Strip, the Health Ministry said.

The ministry decided on Thursday to offer everyone in that age group the vaccinations after consulting foreign health experts. Doctors have diagnosed at least 10 possible polio cases in the past month and found traces of the disease in several areas of Israel.

China Tests Nuclear Device

STOCKHOLM — China carried out a small nuclear test last week at its Lop Nor underground site in northwest China, Swedish military scientists said Friday. It was the first Chinese test this year and only the second since 1984.

2d Parliament Is Besieged in Yugoslavia

BELGRADE — Thousands of protesters surrounded the regional parliament in Yugoslavia's southern republic, Montenegro, on Friday, refusing to leave until local Communist Party leaders resigned, Tanjug news agency said.

It was the second siege of a regional political base this week and an escalation of the protests linked to a power struggle in the ruling Yugoslav Politburo.

On Thursday, 100,000 protesters forced the party leadership of Vojvodina, one of two autonomous provinces in the Republic of Serbia, to resign after a two-day siege of provincial party headquarters in Novi Sad. The protesters accused the local leadership of corruption.

In Montenegro, Tanjug said, more than 10,000 protesting work-

2d Parliament Is Besieged in Yugoslavia

ers, students and citizens of the republic's capital, Titograd, converged on the regional parliament on Friday afternoon.

Tanjug said many thousands more were heading for Titograd in the evening from other towns in Montenegro and Serbia. Yugoslavia's biggest republic, to join the demonstrations.

Other demonstrations erupted on Friday as nearly 200,000 people joined rallies in three Serbian towns. They were backing the drive of the Serbian Communist Party leader, Slobodan Milosevic, to reduce the autonomy of both of Serbia's provinces, Kosovo and Vojvodina.

The demonstration in front of the parliament in Montenegro was set off by a strike of about 1,000 construction workers over low wages and falling living standards, Belgrade radio said.

"Let's replace the thieves who have betrayed us!"

Witnesses in Titograd said that protest there was peaceful and that there were no clashes with the police.

Tanjug reported earlier that about 100 people had been hurt, several seriously, when the police clashed Thursday in Novi Sad with the demonstrators who forced the resignation of the Communist Party leaders in Vojvodina Province.

The news agency said four persons were arrested and 14 policemen hurt by bottles and other thrown objects as 100,000 protesters besieged the party headquarters.

Yugoslavs and foreign diplomats said it was the first time that the leadership of a Yugoslav republic or province had been forced to resign because of demonstrations.

The Vojvodina leadership first aroused anger among the province's two million people in July by moving against a rally by Serbs protesting what they said was unjust treatment of the Serbian minority in Kosovo by the ethnic Albanian majority.

Kosovo and Vojvodina were detached from Serbia in all but name because of fear among non-Serbs of being dominated by the largest national group in this federal, decentralized country. Of 23 million Yugoslavs, 8.1 million are Serbs.

Mr. Milosevic has benefited from the surge of Serbian nationalism to gain acceptance by the national party leadership for constitutional amendments that will increase Serbian control over the two provinces.

His opponents contend that Mr. Milosevic has embarked on a dangerous course in a country that has been divided and practically leaderless since the death of Tito eight years ago.

The Serbs accuse the party leadership of encouraging Albanian nationalism in Kosovo and bringing Yugoslavia to economic ruin.

The daily newspaper Vecernje Novosti said Friday that a group of armed ethnic Albanians in Kosovo attacked Serbs on Wednesday as they were returning from a protest in the village of Vrbovac. It gave no further details.

(Reuters, AP, NYT)

Church Services

- CENTER OF COPENHAGEN**
 FIRST BAPTIST CHURCH, English speaking, Sun. 9:00, 11:00, 7:00-8:00 p.m. (Bus 3,5,7,10). Dr. R.L. Robinson, Min. Tel.: (01) 373924.
- GENEVA**
 INTERNATIONAL CHRISTIAN FELLOWSHIP OF GENEVA, English speaking Sunday service 12:00 noon at Chapelle des Bains, 2 Rue Amst. Rev. Greg Fitch, P.O. Box 2447, CH-1211 Geneva 2. (022) 32 08 67
- CHURCH OF THE LIVING SAVIOUR**, Geneva's International Pentecostal church, 20 Ave. Emmenthal, Geneva. Enjoy a warm atmosphere of joy, established worship in English, 10:30 a.m. and 7 p.m. Tel.: 447070 or 988580.
- HAMBURG**
 INTERNATIONAL BAPTIST CHURCH OF HAMBURG meets at Ev. Freikirchliche Gemeinde Christuskirche, Sutter Str. 18, Hamburg-Altona. Bible Study 1 p.m. + Worship 2 p.m. Tel.: (0) 4101-207933.
- HOLLAND**
 TRINITY BAPTIST S.S. 9:30, Worship 10:30, nursery, women fellowship, Meets at Bloemengroen 34 in Wiersema, Tel.: 01751-78024.
- LOUVAIN**
 Welcome to English speaking INTERNATIONAL CHURCH OF EVANGELICALS in Louvain (ICEL) Worship Services, Every Sunday 10:30 a.m. 40, Noomse Street, Louvain.
- MUNICH**
 INTERNATIONAL BAPTIST CHURCH, English speaking S.S. 11:45, worship 12:45, nursery, 4:45, 7:00, 9:45, 10:45. Other activities, Call Dr. R.C. Thomas, Pastor, 47, AR, 15, 297-47, 51, 29, 63.
- PARIS**
 THE AMERICAN CATHEDRAL (Episcopal-Anglican), Sun. 9 & 11 a.m., Sunday School for children and nursery care at 11 a.m., 23 Ave. George V, Paris 8. Tel.: 47 20 17 92, Metro: George V or Alma-Marceau.
- EMMANUEL BAPTIST CHURCH**, 56 Rue des Bons-Relais, Rueil-Malmaison. English speaking, evangelical, all denominations. S.S. 9:45, 10:45, 7:00-8:00 p.m. Tel.: 47, AR, 15, 297-47, 51, 29, 63.
- UNITARIAN-UNIVERSALISTS** will host Louise Montgomery of Houston, Texas as their speaker on Sunday, 9 Oct. at 11:30 a.m. at 1 rue de l'Oratoire, Metro Louvre. Rev. Montgomery will present "Through the Rhythms and Chances of Life" and will explore UN strength that can guide us through the ebb and flow of life and its forces which are often beyond our control. Information call Pastor Bonnie Stevens (089) 850-8617.
- INTERNATIONAL BAPTIST FELLOWSHIP** meets at 123 Ave. de Malmaison, Metro Gaithe. Vespers Service in English every Sunday evening of 6:30. Tel.: 47, AR, 15, 297-47, 51, 29, 63.
- STOCKHOLM**
 EMMANUEL CHURCH, Kungälvsgatan 8, Singer Jul, Friendly Christian Fellowship, English, Swedish, & Korean 11:00, Tel.: (08) 151223, 307893.

Moscow Hit: From Russia With Sex

MOSCOW — The first Soviet film to portray a couple in the act of making love has created such a sensation in Moscow that the authorities have banned it from cinemas in the city center.

"Malenkaya Vera" (Little Vera) is a damning depiction of ordinary Soviet family life in the provinces. But its frank political message is not what drew more than half a million people during the week it opened. They came for the sex.

"The sex scene comes as a total shock — we have never seen anything like this before," said a woman in her 50s who saw the film.

While the scene of Vera in bed with her lover Sergei is tame by Western standards, it is clearly what has mobilized the masses to queue for hours.

At other cinemas around town, new documentaries on prostitution and homosexuality are also drawing huge crowds — and like "Malenkaya Vera," provoking an outcry among Soviet citizens scandalized by the breaking of yet another taboo.

At a recent showing of the film, silence fell over the audience during the love making. But other scenes provoked a strong reaction.

In merciful detail, the film dissects the cruelty of ordinary Soviet life. Vera, who like most Soviet women has no access to birth control, gets pregnant almost immediately.

The couple marry, and when Ser-

gei moves in with Vera's family — the only solution for most young Soviet couples due to the housing crisis — a violent hatred develops between Vera's boorish father and the resentful young man.

"Malenkaya Vera" is a serious film which has created a scandal, although it is not scandalous in itself," Lydia Gonyevskaya, an editor with Gorky Film Studios, which produced the film, told the audience before a recent screening.

She said Maria Khamelik, 27, the film's author, had written the screenplay in 1983 — "when you could not even type such things" — but the final product was untouched by censors. Even so it was allowed to play only in cinemas outside the Sadovaya ring road, which encircles the capital.

At one point, the couple in the film escape to the beach and Sergei asks Vera if she has any goals in life. The audience laughed at her dreamy, ecstatic reply: "In our country, Seriocha, we have only one goal — Communism."

(Reuters, AP, NYT)

2 Baltic States Accept Ethnic Languages

MOSCOW — The parliaments of Latvia and Lithuania have voted to give official status to the languages of their republics, in an apparent concession to a resurgence of national feeling in the Soviet Baltic region.

The two parliaments have also formally reinstated their flags. Lithuanian and Latvian journalists said on Friday. It is the first time the flags have been recognized since the republics were absorbed, with neighboring Estonia, into the Soviet Union in 1940.

The moves came just before a mass rally Friday in the Latvian capital, Riga, before the founding congress this weekend of a new mass movement called the Latvian Popular Front.

The official Soviet news agency Tass, in a brief report from Riga, confirmed that Latvian had been

adopted as the official language by the republic's parliament on Thursday. It did not mention the approval of the republic's white and red striped flag.

A Lithuanian journalist contacted by telephone from the capital, Vilnius, said that the Lithuanian parliament, too, had passed resolutions on Thursday that approved the use of the language and official use of its flag.

The yellow-green and red Lithuanian flag was hoisted in front of a cheering crowd of 100,000 people in central Vilnius on Friday morning, he said.

Language and the national flag are potent symbols in the Baltic republics where the Kremlin's policy of glasnost, or openness, has allowed increasing demands for democracy and expression of national feelings against Russification.

The ethnic people of the three Soviet Baltic republics, who form a

WORLD BRIEFS

Italy Rebel Deputies Fight Vote Plan

ROME (Reuters) — Rebel deputies helped defeat the government three times in preliminary balloting on a parliamentary reform plan Friday, raising doubts about whether it could win the final vote next week.

A rebellion within Prime Minister Ciriaco De Mita's Christian Democrat Party over his plan to abolish almost all secret voting in parliament has brought Italy close to a government crisis that could provoke premature general elections.

Mr. De Mita, strongly backed by the Socialist leader, Bettino Craxi, wants to abolish secret voting because he sees it as the root cause of Italy's endemic government instability. But he is opposed by a large number of rank-and-file deputies who want to retain the independence to vote as they wish. The government won 16 secret ballots on the clauses to be voted Tuesday, but three were by majorities of less than 10 votes. In three cases it was defeated.

Walesa Threatens a Boycott of Talks

WARSAW (Reuters) — Lech Walesa, the leader of Solidarity, said Friday that he would boycott talks with Poland's authorities if a leaked party document ruling out the rebirth of his outlawed labor union proved to be authentic.

Opposition sources said the document was teleaxed to party leaders in factories across the country Sept. 26. But the official news agency, PAP, said the document did not exist. Mr. Walesa said in a telephone interview from his home in Gdansk that he had not seen the document, which was handed to Western journalists Thursday. But he added: "If this document proves to be true, I will not take part in the roundtable, and I will tell everyone who listens to me not to take part. It makes no sense."

In the midst of the controversy, the police used truncheons to break up a rally of about 3,000 students who paraded through downtown Warsaw carrying red banners mocking the Communist system. About 40 students were detained, sources said.

Mulroney's Party Takes Lead in Poll

OTTAWA (Reuters) — The governing Progressive Conservative Party of Prime Minister Brian Mulroney appears to have opened up a solid lead in the first week of Canada's election campaign, a public opinion poll shows.

In a survey of 1,512 Canadians conducted by Angus Reid, among voters expressing a preference for the Progressive Conservatives received 49 percent support, the social democratic New Democrats 27 percent and the Liberals 26 percent. But nearly a quarter of those surveyed said they were undecided. The election will be held Nov. 21.

Analysts said that events during the campaign like a proposed televised debate among the three party leaders could affect the outcome. A Toronto analyst, Donna Dasko, vice president of Environics Research Group, estimated that 35 to 45 percent of so-called decided voters could change their minds by the end of the campaign.

U.S. Senate Sinks Bill on Child Care

WASHINGTON (AP) — By declining Friday to restrict debate, the Senate effectively ended hopes for action this year on a broad legislative package intended to benefit families by providing child-care assistance, parental job leaves and a crackdown on child pornographers.

With adjournment expected next week, there is insufficient time to complete the measure.

Senator Christopher J. Dodd, Democrat of Connecticut, accused his colleagues of "a filibuster by silence; nine days of stalling; nine days of total inertia." He said the action meant that the business community, the chief opponent of the parental leave section, had prevailed.

Mr. Dodd had first submitted a bill requiring employers of more than 50 people to offer workers at least 10 weeks of unpaid, job-protected leave when they had newborn, newly adopted or sick children or had serious medical problems themselves. The Senate added a measure creating new punishments for those possessing, selling or distributing child pornography. The bill later acquired a third section that would have helped low-income parents pay for child care.

U.S.-Greek Negotiations to Continue

ATHENS (AP) — Greek and American negotiators have completed a 10th round of talks on a new agreement on U.S. bases and will meet again next month in Washington, a government spokesman said Friday.

The spokesman, Sotiris Kostopoulos, said American military aid to Greece had been among the issues discussed but that a Greek demand for the closure of the U.S. Air Force base at the Athens airport had not been "specially touched upon." Greece is insisting that Hellenikon Air Base, where 1,400 American servicemen are stationed, be closed after the current agreement expires in December.

Greece receives more than \$430 million in U.S. military credits as a form of rent for the bases. The government also is eager to ensure that a long-standing 7-to-10 ratio in American military aid to Greece and Turkey is maintained. In addition, Greece is understood to be seeking U.S. backing for its positions in disputes with Turkey over military control of the Aegean Sea.

College in Paris Becomes University

PARIS (HTT) — The American College in Paris has changed its name to the American University of Paris, the institution has announced. It said the change was made in keeping with "the outstanding growth and development which the university has experienced in recent years."

The university, founded in 1962, has about 1,000 students. Half are Americans, 15 percent are French and the others come from 65 countries. The full-time and part-time faculty numbers 120. The university grants bachelor's degrees in eight fields and is looking "very closely" at beginning a graduate program, a spokesman said.

David McGovern, a Paris-based senior partner in the American law firm Shearman & Sterling, has replaced Pierre Salinger as chairman of the university board of trustees. Mr. Salinger, ABC's chief foreign correspondent, has moved to London.

Moscow Hit: From Russia With Sex

Moscow Leaders in Beirut rejected on Friday a French proposal that the United Nations should supervise a presidential election in Lebanon to resolve the country's political crisis, officials said. Diplomatic sources said Foreign Minister Roland Dumas of France suggested to the other permanent members of the Security Council that UN troops should safeguard an election.

(Reuters)

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David McGovern, a Paris-based senior partner in the American law firm Shearman & Sterling, has replaced Pierre Salinger as chairman of the university board of trustees. Mr. Salinger, ABC's chief foreign correspondent, has moved to London.

Strike Disrupting Italian Air Traffic

ROME (Reuters) — Italian pilots, air traffic controllers and air stewards called a six-hour strike Saturday that was expected to cause widespread delays and cancellations.

The state airline, Alitalia, warned domestic and international passengers to expect cancellations during the 8 A.M. to 2 P.M. strike period, saying only flights to the islands of Sicily and Sardinia would be guaranteed.

Algeria's national carrier, Air Algérie, has cancelled all international and domestic flights until further notice, but other companies are still operating out of the capital, Algiers, where rioting broke out this week, airline workers said Friday. No official reason has been given for the suspension of Air Algérie flights, but airline staff members said there were difficulties in assembling flight crews because of the state of siege and a nighttime curfew.

(AFP)

2 Baltic States Accept Ethnic Languages

MOSCOW — The parliaments of Latvia and Lithuania have voted to give official status to the languages of their republics, in an apparent concession to a resurgence of national feeling in the Soviet Baltic region.

The two parliaments have also formally reinstated their flags. Lithuanian and Latvian journalists said on Friday. It is the first time the flags have been recognized since the republics were absorbed, with neighboring Estonia, into the Soviet Union in 1940.

The moves came just before a mass rally Friday in the Latvian capital, Riga, before the founding congress this weekend of a new mass movement called the Latvian Popular Front.

The official Soviet news agency Tass, in a brief report from Riga, confirmed that Latvian had been

Pretoria Chides Cuba on Troops

JOHANNESBURG — South Africa said on Friday that a buildup of Cuban troops in Angola had become intolerable and accused Havana of wrecking efforts to bring peace to the region.

The official state radio launched one of its strongest attacks on Cuba shortly before Angola, where South African troops were to resume in New York.

South Africa, Angola and Cuba are taking part in the U.S.-mediated negotiations.

Pretoria refuses to grant independence to South-West Africa until Cuban forces pull out of Angola.

"Cuba is not only stalling on an acceptable timetable for the withdrawal of her troops from Angola," the radio said, "but is continuing with a massive buildup of troops in that country."

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Tax Code 'Errors' Studied For Dukakis Camp, Risky Betting on Middleweight States

U.S. Corporations Would Get Relief

By Dale Russakoff
Washington Post Service

WASHINGTON — A bill to correct scores of unintended errors in the Tax Reform Act of 1986 also contains a provision that would grant \$1.7 billion in tax relief for a handful of the nation's largest multinational corporations.

The relief measure, which passed the House and is now on the Senate floor, is drawing attention because it is the most costly provision in the House bill and because companies advocating it have given more than \$500,000 in campaign contributions in the last two years to members of the House Ways and Means and Senate Finance committees, which write tax measures.

The bill has taken on urgency because companies favoring it — including such corporate giants as International Business Machines, TRW Inc., E.I. du Pont de Nemours & Co., Monsanto Co., Bechtel Group Inc. and others — have linked it to American economic competitiveness. They have warned that unless Congress acts, the tax code will be discouraging the nation's leading multinational firms from doing research in the United States.

A congressional staff analysis concluded that 50 to 70 companies would have their tax bills reduced by an average of \$18 million to \$27 million over the next three years.

Representative Beryl Anthony Jr., an Arkansas Democrat who has championed the companies' position, said in letters to fellow Ways and Means members earlier this year that passing the provision "has become critical."

Mr. Anthony has received \$19,000 in campaign contributions in the last two years from companies in a coalition supporting the legislation, according to his filings with the Federal Elections Commission. Representative Sam M. Gibbons, Democrat of Florida, a senior Ways and Means Committee member, has received \$14,500. Representative Charles B. Rangel, Democrat of New York, another senior panel member, has received \$13,700.

In the Senate, the chairman of the Finance Committee, Lloyd Bentsen of Texas, the Democratic vice presidential nominee, led the panel with \$51,250 in contributions from the affected companies.

Republicans otherwise outdid Democrats on the Senate panel. The six biggest recipients after Mr. Bentsen were all Republicans: John C. Danforth of Missouri, who got \$44,200; Malcolm Willop of Wyoming, \$33,780; John Heinz of Pennsylvania, \$33,050; John H. Chafee of Rhode Island, \$31,900; William V. Roth Jr. of Delaware, \$26,700; and David F. Durenberger of Minnesota, \$26,000.

As issue is a long-running debate over how much multinational corporations should be allowed to deduct on their U.S. tax returns for research that benefits foreign as well as domestic sales.

The companies concede that, according to pure tax theory, they should not take tax deductions in the United States for research that produces foreign income. The theory is that research leading to income in, say, France should be deducted against income in France.

The problem with the theory is that most research is too basic to relate directly to a product whose sales can be measured. Moreover, foreign tax systems reject the U.S. argument that research conducted in the United States can be deducted there.

The issue has been in limbo since 1977, when the Treasury Department proposed that companies deduct 30 percent of all U.S. research expenses in the United States, dividing the remainder between the U.S. and foreign countries based on the ratio of U.S. to foreign income for sales. The companies vociferously opposed this. Congress has prevented the regulations from taking effect with a series of temporary moratoriums.

SYRIA: Link to Hostage's Release

(Continued from Page 1)

cording to Lebanese and U.S. sources, may have been the intense rivalry between Syria and Iran, and their respective intelligence services, for control and disposition of the American hostages.

Sheikh Mohammed Hussein Fadlallah, the spiritual leader of the militant Shiite pro-Iranian group Hezbollah, this past week publicly blamed the rivalry among foreign intelligence services in Lebanon for complicating the release of the hostages. He also predicted that there would be no further releases until after the U.S. presidential election.

The first word that Islamic Jihad was interested in releasing one or more of the four hostages in its possession came on Sept. 15 and was clearly orchestrated for the visit to Damascus and Beirut of Assistant Secretary of State Richard W. Murphy, who was then seeking to avert a crisis in Lebanon over its next president.

Mr. Singh's release finally came the same day Mr. Shara was meeting with Secretary of State George P. Shultz in New York and allowed the Syrian official to make the announcement, a timing that appeared not to be pure coincidence.

Reagan Pitches In to Repair the Damage

By Julie Johnson
New York Times Service

DETROIT — President Ronald Reagan, in a campaign swing to America's automobile manufacturing capital and its conservative ethnic suburbs, joined efforts Friday to neutralize damage after the vice presidential debate.

In four separate appearances Friday, Mr. Reagan went out of his way to mention Senator Dan Quayle, something he has rarely done in his stump speeches for Vice President George Bush.

Speaking at a fund-raising dinner, Mr. Reagan said: "After watching the debate the other night, I know the Bush-Quayle ticket will continue the policies of peace and prosperity that have, as Dan said, made this great nation 'the envy of the world.'"

For Mr. Reagan, whose 1980 appearance in this city at the Republican National Convention was largely a coronation, this trip up Sterling Heights, Mr. Reagan opened fire on the governor's economic record and assailed his positions on defense.

Mr. Reagan said Mr. Dukakis, who last month was filmed in Sterling Heights riding in a tank, Mr. Reagan said: "When I see our tanks I think of the defense of the Free World. Of course other people now look at our tanks and think of what a Boston newspaper columnist — him, not me — called 'Pee-Wee's armored adventure.'"

This was a reference to Mr. Dukakis, who is 5 feet, 8 inches (1.72 meters) in height, appearing dwarfed beside the tank.

Mr. Bush pushed crime issue. Mr. Bush cited crime on Friday as the issue on which he is most at odds with Mr. Dukakis, saying his Democratic rival has "an astounding lack of sensitivity" to crime victims. The Associated Press reported from Xenia, Ohio.

Mr. Bush said Mr. Dukakis had presided over a criminal justice system in Massachusetts that is "completely out of whack," a "Tahiti Zone" world where prisoners' right to privacy had more weight than the citizen's right to safety.

In remarks to law enforcement officials, Mr. Bush said Mr. Dukakis "still clings to a discredited liberal ideology that blinds him to the true causes of crime."

Mr. Dukakis, he said, only amended his state's prison furlough law this year "under the bright spotlight of the national presidential campaign."

The furlough program was created in 1972 by Governor Francis W. Sargent, a Republican.

Mr. Bush said Mr. Dukakis should have apologized to La Plata, Maryland, couple, Clifford and Angela Barnes, who were savagely attacked by a convicted murderer, Willie Horton, in 1986. Mr. Horton had been granted a weekend furlough.

Mr. and Mrs. Barnes had agreed to tape radio ads in behalf of the vice president's campaign.

"I'm not going out there to campaign for Bush," Mr. Barnes said before he left for California, adding that "the facts speak for themselves."

The Dukakis campaign has criticized the opposition for exploiting a "tragedy."

THE HUSTINGS

A Dukakis Fumble on Foreign Trade

WELLSTON, Missouri (AP) — Governor Michael S. Dukakis criticized the Reagan administration Friday for standing by while foreigners are "buying up America," but he mistakenly told workers at a plant owned by Italians that they were "survivors" in the international trade battles.

The Democratic presidential nominee used the Moog Automotive Co. plant as the backdrop for a campaign speech criticizing a statement by Dan Quayle, the Republican vice presidential candidate, that he welcomed foreign investment in U.S. factories, business and real estate.

In his speech, Mr. Dukakis referred to the company as one of the "few survivors" of the auto parts industry's battle with foreign competitors. But the Moog family sold the company more than 10 years ago to the American subsidiary of IFI, a Turin company owned by the Agnelli family, which controls Fiat.

Tax Break Gains for Savings Bonds

WASHINGTON (WP) — The Senate, taking up a popular election-year cause, voted unanimously Thursday to provide a tax exemption on interest from U.S. Savings Bonds bought to help defray the costs of higher education.

Under the proposal, interest on a savings bond purchased after enactment and turned over to a college or post-high school vocational institution would not be counted as part of a family's taxable income. The program was approved, 94 to 0, as part of an omnibus tax bill that faces uncertain prospects as Congress pushes to adjourn by this weekend.

Low Environment Rating for Quayle

WASHINGTON (NYT) — The Republican vice presidential candidate, Senator Dan Quayle, who claimed "a very strong environmental record" in the debate with the Democratic candidate Wednesday night, received 20 out of a possible 100 points in a "scorecard" on congressional action on environmental issues issued Thursday by the League of Conservation Voters. Senators Lloyd Bentsen, the Democratic candidate, scored 40 percent. The average for Senate Democrats is 56 percent; for Senate Republicans, 37 percent.

Racism Case Rejected in N.Y. as Hoax

By Robert D. McFadden
New York Times Service

NEW YORK — Concluding a seven-month investigation, a New York state grand jury has released a detailed report of evidence that Tawana Brawley, a black teen-ager, had fabricated her sensational tale of abduction and sexual assault at the hands of a gang of racist white men last year.

The report, issued Thursday, documents an array of medical, scientific and evidence of witnesses indicating that Miss Brawley had concocted the degrading condition in which she was found in Wappingers Falls, New York, on Nov. 28 by smearing herself with feces, writing racial slurs on her body and faking a traumatized daze.

The report portrayed Miss Brawley's story as little more than a girl's escapade puffed up for the political and racial agendas of her advisers.

"There is nothing in regard to Tawana Brawley's appearance on Nov. 28 that is inconsistent with this condition having been self-inflicted," the report concluded.

It said there was no cover-up by the police and cleared several officials who had been implicated by the girl's advisers.

Attorney General Robert Abrams, the special prosecutor in the case, said he had asked state judicial disciplinary authorities to investigate the conduct of Miss Brawley's lawyers, Alton H. Maddox Jr. and C. Vernon Mason.

With a 10-page letter detailing acts of "irresponsible behavior," ranging from "spreading lies" about the case to advising their clients to withhold cooperation from law enforcement authorities, Mr. Abrams began a process that could lead to the lawyers' suspension or disbarment.

The grand jury did not criticize Miss Brawley or her family and advisers.

Party Officials Agree with Mr. Graham's Statement that Mr. Dukakis has an Uphill Battle

Jordan 3d, a Democrat, was against the Republican governor, James G. Martin, an almost unprecedented situation.

Although Mr. Dukakis finished third in the North Carolina primary, he has drawn into his campaign both the conservative Democrats who lined up behind Senator Albert Gore Jr. of Tennessee and the blacks who backed Jesse L. Jackson, one-quarter of the campaign staff are former Jackson workers.

Still, the Dukakis campaign faces tougher choices in North Carolina and similar states than does Mr. Bush. With much of the South

and party officials agree with Mr. Graham's statement that Mr. Dukakis has an uphill battle" on his hands in the state. Still, Mr. Dukakis is better off here than in most of the South, as the Bush forces know.

"We've done a good job of selling the message that Dukakis is a liberal," Mr. Graham said, "and if we can't sell peace and prosperity, we don't deserve to win. But this is a more moderate state than the Deep South. Bush won't get all the Reagan Democrats and there is a time-for-a-change psychology."

In 1986, former Democratic Governor Terry Sanford built an exceptional degree of party unity behind his successful Senate campaign. And that has carried over to 1988. Until the latest private polls, Mr. Dukakis was running more strongly against Mr. Bush than Lieutenant Governor Robert B.

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ALGIERS: Rioters Killed

(Continued from Page 1)
en in some 50 wounded youngsters since Tuesday evening.

Exiled former President Ahmed Ben Bella said in Switzerland on Friday that rioting had spread to the western port of Oran and the provincial cities of Batna, Msila, Mostaganem and Setif.

"Oran has joined the protest movement," Mr. Ben Bella told Reuters by telephone. "People have been killed and others wounded in all these cities."

Mr. Ben Bella was president of Algeria from independence in 1962 until he was overthrown in a military coup in 1965.

Youngsters angered by falling living standards took to the streets on Tuesday evening. On Wednesday, they rampaged through the center of the city, looting shops and setting fire to government cars and buildings.

The disturbances have disrupted traffic at Algiers airport and have led to shortages of bread and other foodstuffs.

A witness to Thursday's street fighting in Algiers said on Friday that she saw army armored personnel carriers firing on crowds on one of the capital's suburban highways.

"All the young boys were throwing stones," she said. "Then we heard the army open fire, and the crowd fell back in response, with some of them falling on the ground."



PAPAL BARRIERS — Soldiers erecting fences at the Strasbourg stadium where Pope John Paul II will miss on the first day of a four-day visit to Alsace, which begins Saturday.

SDI: Space Shield Cut

(Continued from Page 1)
realization in the Pentagon that it could not afford a more expensive plan now that military spending in general is being cut.

But the plan also represents an effort by the program's most ardent supporters to preserve their goal of deploying a missile shield, complete with weapons in space, as soon as possible.

That goal is President Ronald Reagan's highest military priority, but one that has been subject to criticism from its inception. Its future is uncertain as his administration comes to a close.

At the hearing, some lawmakers expressed skepticism at the latest cost estimates of the program and mentioned political obstacles to the plan's completion, including the fact that it would require abrogating the Anti-Ballistic Missile Treaty of 1972.

In presenting details of the changes in the plan to lawmakers for the first time, senior Pentagon officials said that the performance requirements set by the Joint Chiefs of Staff for the initial defensive system had not been changed.

The goal is reportedly to build a system capable of intercepting a third of the warheads in a Soviet missile attack, including half of the warheads from the powerful SS-18 missile.

The military purpose of the initial phase is not to provide a full-proof defense of the entire United States, although that remains the ultimate goal. Instead, the first phase would put into space a shield that would intercept enough missiles to discourage a first strike.

But the weapons to accomplish these goals have not yet been designed and the performance specifications are considered very difficult to meet.

The Pentagon, describing the changes in the design of the initial phase, said the program would also "maintain the option to develop a limited protection system." That was a reference to suggestions that the military should proceed with a much smaller, ground-based defense to protect only a few crucial military sites against missile attack.

ASSESS: Debates Put Flagging Democratic Ticket Back in the Race

(Continued from Page 1)

Quayle about John F. Kennedy — "You're no Jack Kennedy" — was mean.

To make this point, the Republicans rolled out their biggest gun, President Ronald Reagan himself. "I thought that remark was a cheap shot and unbecoming to a senator of the United States," Mr. Reagan said.

The president's comment reflected the importance of that exchange — the most dramatic since then Ronald Reagan leveled President Jimmy Carter with his dismissive "there you go again" in their 1980 debate — and also showed how worried Republicans are about how the debate would play.

The public, which was divided in its view of the Bush-Dukakis debate, seemed to have few doubts about this one. In a CBS News Poll of debate watchers conducted Wednesday night, the popular verdict was overwhelming: 50 percent said Mr. Bush had done better or won; only 27 percent said Mr. Quayle had won. Even among Mr. Bush's supporters, only 44 percent rated Mr. Quayle the winner.

None of this means that Mr. Dukakis and Mr. Bentsen are now cruising to victory. The polls also included some positive news for Mr. Quayle.

For example, before the debate, only 37 percent of those who watched the debate said Mr. Quayle was qualified to serve as president; afterward, 47 percent said so. But 48

percent said they were still worried about his capacities. Before the debate, 42 percent said Mr. Quayle "understands the complicated problems a president has to deal with"; afterward, 54 percent said this.

The problem is that on both these counts, Mr. Bentsen also increased his standing with the public, and it remained much higher than Mr. Quayle's. Even before the debate, 64 percent of those who watched the encounter thought Mr. Bentsen was qualified for the presidency; afterward, 78 percent did. Before the debate, 78 percent thought Mr. Bentsen understood the complicated problems that confront a president; afterward, 84 percent said this.

The result is that while Mr. Quayle reassured some voters, Mr. Bentsen did so well that he actually widened his advantage over the Indiana senator in at least some respects.

Mr. Bush's aides were quick to point out that the vice presidency is important to only a minority of voters in helping them to decide which ticket to vote for. It is thus even less likely that a single vice presidential debate will loom as important on Election Day, Nov. 8.

But this view ignores the danger the Democratic ticket faced before the debates and how badly they needed a boost at this point in the contest.

For Mr. Dukakis, who has been trailing in

the polls since the Republican convention in August and has seen his unfavorable ratings surge sharply, the problem is that the voters are now moving toward making a decision. If Mr. Dukakis had not halted his slide now, he might never have got a chance to do so.

"At the time of the conventions, the public mood was like newly poured concrete — it was so soft you could write in it with your finger," said Peter D. Hart, a Democratic pollster. "Now, it's getting harder and to move it, you need a shovel. In two weeks, it will be hard enough that to break it at all, you'll need a jackhammer."

In Mr. Hart's formulation, the debates served as the Dukakis-Bentsen ticket's shovel, but he and other Democrats cautioned that the performances could only be seen as a first step.

This is because the other lesson of the campaign so far is that if the Democrats manage to rise to the big occasions — the conventions, the selection of a vice president, the debates — they are consistently outmaneuvered by the Republicans in the more mundane, day-to-day work of campaigning.

The Bush campaign managers still believe that theirs is the stronger position, in part because they think that Mr. Bush's strength in the Southern and Rocky Mountain states is rapidly putting anywhere from 150 to 200 electoral votes — 270 are needed to win — out of Mr. Dukakis's reach.

Guards' Strike Prevents Trial of Leftists in Paris

Agence France-Press
PARIS — The murder trial of four members of the leftist group Action Directe was postponed Friday until next year because of a prison wardens' strike, court officials said. The guards have been preventing inmates from leaving their cells.

Two women, Nathalie Menigon, 31, and Joëlle Aubron, 28, are accused of killing Georges Besse, president of Renault, in November 1986. Two men, Jean-Marc Rouillan, 36, and Georges Cipriani, 38, have been charged as accomplices.

Sri Lanka Declares an Emergency

Agence France-Press
COLOMBO, Sri Lanka — The government invoked sweeping emergency regulations Friday, including the takeover of private businesses, in a bid to break a planned anti-government strike by Sinhalese militants.

The measures take effect Saturday giving wider powers to troops to force open businesses and requisition private buses responding to strike calls.

The announcement was made as the anti-government militant Sinhalese Janatha Vimukthi Peramuna,

known as the JVP or People's Liberation Front, called a general strike for Monday, a day after a ruling party convention.

The front draws much of its support from southern Sri Lanka where the majority Sinhalese community lives. The group is violently opposed to the Indian-Sri Lankan peace accord of July 1987 aimed at ending a bloody Tamil separatist campaign by giving greater autonomy to the island's Tamil minority.

The front has been accused of killing more than 400 government supporters, security personnel and leftists backing the accord.

CORRUPT: Uzbek Socialist Heroes Lived Like Lords

(Continued from Page 1)

Professional killers when angered, say, by a farm director who would not inflate his cotton quota.

The cotton scandal was rooted in Mr. Brezhnev's own vanity and indifference. Uzbek officials said in interviews that Mr. Rashidov, in an effort to ingratiate himself with the corrupt leadership in Moscow, would inflate the republic's cotton production by thousands of tons each year. Mr. Rashidov's mafia kept the extra money paid for the nonexistent cotton and he won a position on the Politburo and favor with Mr. Brezhnev, who apparently was content with the glowing annual reports.

The prosecutors who investigated the case have estimated that over the years, cotton magnates and politicians in Uzbekistan stole a total of 4 billion rubles (nearly \$6.5 billion) through their pricing scams. In addition, elaborate "protection" rackets and outright thievery were rampant throughout the republic. Positions in universities, institutes and government all had their price.

Uzbek officials are willing to admit to a hazy sense of something being amiss, but profess to have no grasp of any, possibly self-incriminating, details.

"Of course, we didn't know how bad the situation was, but we felt that something wrong was going on," said Laziz Kayumov, a member of the republic's legislature and editor in chief of Soviet Uzbekistan. "Social justice had broken down."

There were a few academics and politicians in the area, such as Mirzavali Mukhammadjanov and Rasul

leadership recognized the republic for the wreck it was and began discussions, tentative at first, about the corruption. With Konstantin U. Chernenko in power, the republic's Central Committee denounced the pilfering of state funds and "hoodwinking." But their language was pallid and their measures ineffectual.

Mr. Gorbachev's Kremlin has been far tougher, sending teams of prosecutors from Moscow. In Tashkent and other Central Asian cities, they set up huge offices that resembled small military operations.

The senior investigator, Teiman Glydan, and others have been threatened with assassination many times while working in Uzbekistan, and they soon took to wearing bulletproof vests.

The mafia men thought they were untouchable. Prosecutor Sultan Salautdinov told the press that during interrogations Mr. Adiylov was defiant and expected the mafia to rescue him. "You'll put us behind bars now. So what?" he told Mr. Salautdinov. "Fifteen years from now we'll put you all away and destroy your children. I'll find millions of rubles to do it."

Mr. Adiylov is now in jail in Moscow, as are hundreds of others. Many others in the party apparatus committed suicide before the prosecutors closed in on them.

Mr. Rashidov was buried in the center of Tashkent, near the Lenin Museum. For years, people brought mounds of roses and carnations to the tomb. Finally, the state moved the grave out of Tashkent to a remote village that no one seems to know — the town where Mr. Rashidov was born.

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LABOR: Party Fails to Benefit From Thatcher's Slide

(Continued from Page 1)

came Thursday, when the conference delegates narrowly defeated a leadership motion that would have allowed a future Labor government to eliminate Britain's nuclear weapons by "unilateral, bilateral or multilateral negotiations." The motion was part of a comprehensive, two-year policy review.

A separate motion, proposed by the leader of the country's largest labor union, the Transport and General Workers' Union, which controls 8 percent of the conference votes, renewed the commitment by any Labor government to unilateral dismantling of Britain's nuclear arsenal within its first term.

Adopted by Labor in 1981, that policy has been rejected by the majority of Britons in opinion surveys and in the voting booth. In supporting it Thursday, the union's general secretary, Ron Todd, insisted that any attempt by Labor to abandon the principles would be seen by the electorate as a ploy to win votes.

In an impassioned and unsuccessful plea for defeat of the motion, a former Labor defense minister, Denis Healey, argued that Labor would only win power "if we can convince the people of this

country that we take their security seriously."

The last time Labor lost a third straight election to the Conservatives, in 1959, it bounced back three years later and remained in power throughout most of the 1960s and 1970s. Many party activists believe that by sticking to its beliefs, Labor can do the same again.

Backed by daunting demographics, those who want to change the direction of the party argue that Britain is a very different country today. They say that unless major policy changes are made, the experience of nearly three decades ago is unlikely to be repeated.

During the 1980s, the core elements of traditional Labor support — the organized working class and those who depend on the state providing basic services — have either shrunk or turned against the party.

The percentage of manual workers within the employed electorate has fallen to 34 percent now from 47 percent in 1951. Union membership has shrunk to 23 percent of working Britons, and only 41 percent of those voted for Labor last year.

Although the electorate has increased by 2.5 million in the last

decade, virtually all of the increase has been in prosperous rural counties and in the southeast, where the Conservatives are strongest and where inevitable constituency changes will benefit them.

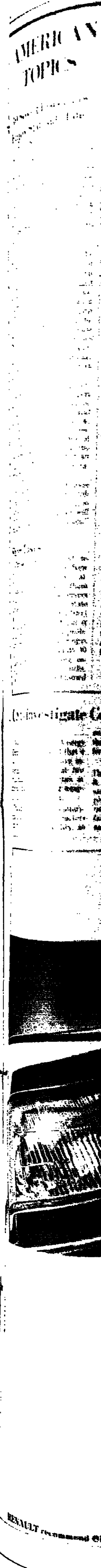
More than any other major non-Communist party of the left, the British Labor Party has resisted the rightward pull that has swept through the West in recent years.

Marxism Today, the monthly journal of the British Communist Party, which is widely read and contributed to by the center-left, devoted its entire issue this month to the need to change Labor in response to what it called "new times."

"While the left remains profoundly wedded to the past, to 1945, to the old social democratic order," the magazine said in an editorial, "the right has glimpsed the future and run with it."

To Mr. Kinnock and his allies, the future looks bleak. "Those who are afraid of developing the alternative that will save the British people," he said in his speech to the conference, "those who say they don't want victory at such a price had better ask themselves this: If they won't pay any price for winning, what price are they prepared to pay for losing?"

The black cleric has publicly defied emergency measures outlawing calls to boycott the racially segregated polls.



AMERICAN TOPICS

30 Soviet Inspectors Enjoy Stateside Life

The 30 Soviet inspectors who monitor the Hercules missile factory at Mason, Utah, under terms of the U.S.-Soviet intermediate-range nuclear forces treaty, have been welcomed "with a warmth and affection that has left them a little overwhelmed."

The inspectors remain in the United States for 60 days on a rotating basis, then return home. Although they cannot travel beyond a 31-mile (50-kilometer) limit or even leave their apartment compound without a Pentagon escort, the Soviet team has quickly made itself at home in an American world of condominiums, satellite television and weekend barbecues with the neighbors around the swimming pool.

When the inspectors attended a recent symphonic concert in Salt Lake City, the conductor announced their presence, and they got a standing ovation. At intermission, they were besieged by well-wishers. One of the inspectors finally took the stage to thank the crowd in an emotional message of international good will.

"It is something we had never expected," said Colonel Anatoli Samarin, head of the inspection team. "It is something we will remember the rest of our lives."

Short Takes

Chrysler Corp., obliged to buy back 400 cars under New York state's "lemon law," allowed dealers to resell them without warning the new buyers about past problems, the state attorney general, Robert Abrams, has charged. A car is considered defective if a problem persists after four attempts to correct it, or if it spends 30 days or more undergoing repairs, during its first 18 months. A Chrysler spokesman blamed

"inadvertent human error." In August, Chrysler agreed to reimburse an estimated 39,500 people who had bought Chrysler cars that had been test-driven with disconnected odometers.

Half a century ago each justice of the U.S. Supreme Court had one law clerk. Today, to handle the expanding caseload, each justice has four clerks, except for Chief Justice William H. Rehnquist, who makes do with three, and Justice John Paul Stevens, who gets along with two. The 33 clerks — 23 men and 10 women — are chosen from the top graduates of leading law schools. During their year of clerking, they often work seven-day, 90-hour weeks for a gross salary of \$31,619. But then they move into jobs with starting salaries of up to \$110,000 a year. Former clerks constitute a Who's Who of the legal profession, including three current Supreme Court justices.

A U.S. Air Force Academy cadet who lost part of his right leg in a traffic accident this summer will not be allowed to return to the academy, Air Force Secretary Edward C. Aldridge Jr. said it would not be right for the taxpayers to pay for the remaining three years of Dan Korshund's undergraduate education, because the military does not accept people who have missing limbs. Senator William L. Armstrong, Republican of Colorado, has appealed to President Ronald Reagan, who has agreed to review the case.

Shorter Takes: A study sponsored by Condé Nast Publications found that 81 percent of women like to cook and 84 percent accept it as one of their responsibilities, but 56 percent dislike cooking every day and three-quarters want to get it done as fast as possible. The Burlington, Vermont, home of Ethan Allen, the Revolutionary War figure, has been privately restored and opened to the public. The Los Angeles Times reports a hand-lettered sign in the back of a Jeep being driven by a young woman in Manhattan Beach, California: "I'm new at this stick shift stuff — stay 10 feet behind."

Arthur Higbee

Effective and Admired, Gurkhas Face an Uncertain Future

By Michael Richardson

International Herald Tribune

SINGAPORE — Gurkha servicemen recruited from Nepal have for years patrolled Hong Kong's border with China, guarded vital oil installations in Brunei and acted as a reserve force to prevent racial conflict in Singapore.

Despite opposition allegations that Singapore should not employ mercenaries, the government says that it is so impressed with the toughness and dependability of its 700 Gurkha police officers that it intends to keep them.

As the date for handing Hong Kong back to China draws closer, however, Britain is being forced to review the future of its 7,000-man Brigade of Gurkhas, most of whom are stationed in Hong Kong and Brunei.

The outcome of this review, military analysts said, will largely determine whether Britain is to continue to have a significant military presence in Asia after control of Hong Kong reverts to China in 1997.

Britain, they added, faces a difficult decision. While some countries in Southeast Asia would welcome a continued British military commitment to the region, symbolized by the Gurkhas, others would have reservations about the long-term stationing of foreign soldiers in the area.

One option is to move some of the Gurkhas now in Hong Kong to Brunei, a small sultanate that shares Borneo with Malaysia and Indonesia.

However, Indonesia and Malaysia "would almost certainly be unhappy at that prospect," said a Singaporean military analyst. Both countries are nonaligned and want to see foreign troops and bases phased out of Southeast Asia.

In London, a British Defense Ministry spokesman would say only that it had started preliminary studies to determine the future size and deployment of the Gurkhas, who have fought for Britain in wars for more than 170 years.

Although Gurkhas fought with distinction for Britain in Europe, North Africa and the Middle East in the two World Wars and, most recently, in the Falklands War against Argentina in 1982, they are considered to be most effective in Asia.

"Gurkhas are excellent counterinsurgency soldiers and very good jungle fighters," an Australian military official said. But, he added, "I don't think they would be regarded as being as useful on the central front in Europe, which has to be Britain's priority today."

Western officials said that one option favored by some influential British military planners was to encourage Brunei to join the Five-Power Defense Arrangements, a regional alliance linking Australia, New Zealand, Britain, Singapore and Malaysia. Brunei is still considering this suggestion, they added.

If the sultanate joins the regional pact, "it would provide a broader framework for Britain to maintain a strategic presence in east Asia, where its trade and investment are growing," a diplomat said.

Since Soviet listeners no longer have to listen through a curtain of jamming and repeat programming is no longer a necessity, VOA officials are now able to concentrate on the aesthetics of programming.

"We've had many discussions about how we would respond if the Soviets stopped jamming," said Richard Carlson, director of the Voice of America. "Our most important job is supplying what Maestro Rastropovich once described as 'daily bread for people,' and that is what we are doing, intellectually feeding hungry people."

"Our role is changing in that part of the world, and we consider ourselves more competitive now," he said. "However, we think we have a real influence on the information that is given out by the Soviets. They have come a long way, but they have come from zero and the Soviet press is still basically a cheerleader for the government there."

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U.S. and Russians Plan Talks on Radar Dispute

By Michael R. Gordon

New York Times Service

WASHINGTON — After unpublicized discussions between senior Soviet and American officials, the United States and the Soviet Union are planning a new round of talks on the disputed Soviet radar at Krasnoyarsk in Siberia, U.S. officials said Thursday.

Soviet officials, who suggested the session, reportedly said technical experts from the two sides should review details of a Soviet plan to dismantle or modify the installation so that it cannot function as an early warning radar, which is prohibited by the Anti-Ballistic Missile Treaty.

U.S. officials said they did not know if the Soviet officials intended to present a new plan or merely elaborate on earlier offers that the United States had already rejected.

The United States has agreed in principle to the meeting and has suggested that it be held as early as next week. But there is, as yet, no formal agreement for a meeting.

The U.S. officials said that the suggestion for the meeting was presented in unannounced talks in New York between Viktor P. Karpov, a senior Soviet arms control

official, and William F. Burns, director of the Arms Control and Disarmament Agency.

Administration specialists said that the United States would consider Soviet proposals to dismantle the radar, or perhaps even convert it into an international space research center.

But U.S. officials said that it must be done in such a way as to deprive the Soviet Union of any advantage, or "lead time," in restoring the radar for use as an advanced early warning installation.

Mr. Karpov is said to have indicated in his meeting with Mr. Burns that Moscow appreciated that U.S. concern.

The administration, an overwhelming majority of the Congress, and Governor Michael S. Dukakis of Massachusetts, the Democratic candidate for president, have said that the radar violated the 1972 ABM Treaty because it is not on the periphery of Soviet territory and oriented outward, as the treaty requires.

The radar is unfinished, and the Soviet Union has suspended construction temporarily. The Soviet Union has proposed reorienting the transmitter of the Krasnoyarsk radar inward and replacing it with a far less capable radar dish.

Soviets Receiving VOA, Loud and Clear

By Barbara Gamarekian

New York Times Service

WASHINGTON — First there was the telephone call from Minsk, followed by a telephone call from Pinsk. It was a morning call-in show from the Soviet Union, just another day at the Voice of America.

"What are the odds of getting two calls in one day from Minsk and Pinsk?" asked Gerd von Doerning, head of the Voice of America's Soviet service, shaking his head at the coincidence of hearing from two cities whose names once served as comic fodder on the horsesh circuit of Jewish theaters and nightclubs in the Catskill Mountains.

More than that, one might ask, what are the odds of the Voice of America, once listened to clandestinely in the Soviet Union, receiving a phone call from anyone in that country?

These days, however, as a result of the efforts of President Mikhail S. Gorbachev to open up the Soviet Union, new and wondrous things are taking place at the Voice, which was established by the government in 1942 to broadcast news and information worldwide.

The agency will soon open a Moscow bureau, and there is talk of dramatic new forms of programming.

The Soviet Union stopped jamming Voice broadcasts in May 1987. For the radio network's Soviet service, which broadcasts in 10 languages, including English, to an estimated 32 million listeners, the Soviet decision has meant a number of breakthroughs.

The network is now presenting panels and roundtable discussions, with Soviet participants discussing such topics as legal changes in the Soviet Union, and a new weekly call-in show with Soviet young people exchanging views on such topics as Michael Jackson.

"It is really quite remarkable," Mr. von Doerning said of the phone-in program, which was initiated in July. "Even Soviet operators help out in the conversations when we can't quite catch the name of the caller."

Since Soviet listeners no longer have to listen through a curtain of jamming and repeat programming is no longer a necessity, VOA officials are now able to concentrate on the aesthetics of programming.

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Hong Kong Cover-Up Is Suspected

Reuters

HONG KONG — The international aid group Oxfam said Friday that it suspected Hong Kong's prison service of having covered up beatings of Vietnamese boat people in a detention center.

An official judicial investigation revealed Thursday that guards from Hong Kong's Correctional Services Department had used "unnecessary force" in quelling a disturbance July 19 at the center.

Hong Kong's governor, Sir David Wilson, who ordered the judicial inquiry, has told the department to initiate disciplinary proceedings against the officers involved and has asked for an investigation into what the inquiry said were "very scanty injury reports."

Ninety-one refugees formally complained that they had been beaten with batons, kicked or punched.

An initial internal investigation by the department said there was no evidence that guards had beaten inmates, but the report Thursday by two magistrates alleged that guards had used their feet, fists, knees and batons to hit the Vietnamese.

"One has to suspect that there has been a cover-up," said Hong Kong's Oxfam director, Chris Bale. "Things just don't add up."

There was no immediate comment from the department on the suggestion that there had been a cover-up.

International agencies, including the United Nations High Commissioner for Refugees, asserted in July that Vietnamese had been beaten during disturbances over

food and conditions at Hei Ling Chau, an island detention center people pending repatriation.

On June 16 Hong Kong ended its open door policy for Vietnamese boat people. The 9,500 who arrived after that date were classified as illegal immigrants and placed in centers where, unless they can prove they are genuine refugees under UN criteria, they are held pending repatriation.

There was no immediate comment from the department on the suggestion that there had been a cover-up.

U.S. to Investigate Conditions at Nuclear Weapons Plant

New York Times Service

WASHINGTON — The Energy Department has announced that it will conduct a comprehensive investigation of conditions at two plutonium-processing facilities at the Savannah River nuclear weapons plant in South Carolina.

The department is already studying conditions at the three reactors at the Savannah River facility, an enormous government complex that is part of a national network for producing nuclear weapons.

The announcement was made Thursday as E.I. du Pont Nemours & Co., which operates the plant, said that from 1954 to 1982 the plutonium-processing plants experienced fires, numerous equipment failures, a flood of water contaminated with plutonium, and a leak of

plutonium that nearly caused a spontaneous nuclear reaction in the plant.

In Congress, several senators called for investigation of the safety of the plant by an independent advisory committee established last year by the Energy Department.

The White House and members of the House also expressed concern.

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Oregon Inmate Grew Marijuana

AP Wire

PORTLAND, Ore. — A man in Oregon's state prison system was charged with growing marijuana in his cell.

South Africa Is To Arrest Archbishop

AP Wire

JOHANNESBURG, South Africa — The government here said it would arrest Archbishop Desmond Tutu.

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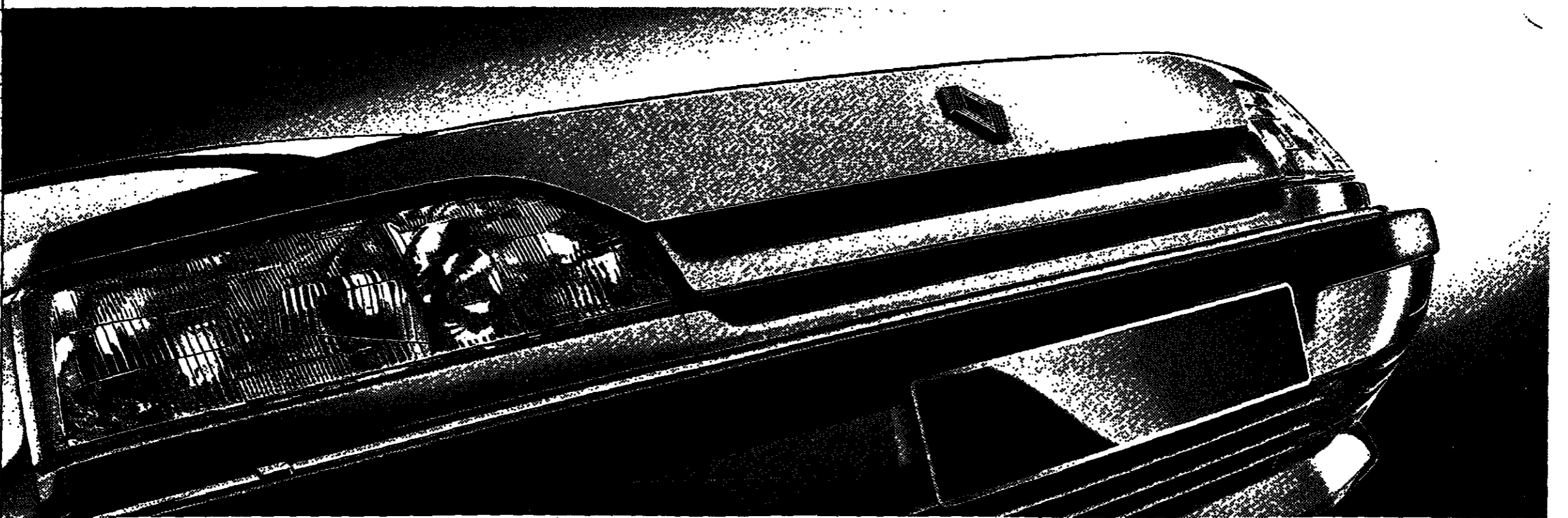
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South Africa Is To Arrest Archbishop

AP Wire

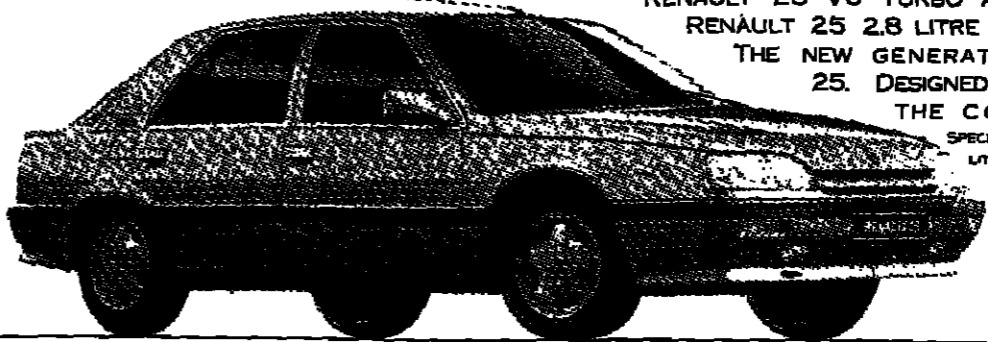
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THERE'S MORE TO LIFE WITH RENAULT

Herald Tribune

A New Season in Chile

By voting Wednesday against eight more years of General Augusto Pinochet, Chileans have resoundingly affirmed their democratic traditions.

The Omaha Encounter

It Complicated Things
Has there ever been one like this before? We would say no. Other famous political debates have generated argument about which candidate won, on substance, or profited most from making a desired impression.

A Test, Not a Debate

When he asked Senator Dan Quayle what Mr. Quayle would do if he suddenly became president, the television newsman Tom Brokaw observed that the question could not simply be brushed aside as hypothetical.

Other Comment

The Quayle Factor Remains

Mastering his nerves to the end, Dan Quayle avoided the catastrophe that would have sealed his fate. But one sensed during the latter part of the debate that he was making a considerable effort: The tension was too strong and lasted too long.

Mr. Quayle managed to avoid any gaffe which would significantly alter the course of the campaign. But his presumptuous comparison of his record with President Kennedy's, so masterfully squashed by Mr. Beensen, serves to reinforce doubts about his maturity, intelligence and judgment.

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Hard Questions for a Reviving United Nations

By Brian Urquhart

NEW YORK — In recent months the United Nations and its secretary-general have been at the center of a number of encouraging international developments. The UN has played a useful role in moving toward resolutions of the conflicts in Afghanistan, the Gulf, Angola, the Western Sahara, Cyprus and Cambodia.

There are a number of questions that the United Nations and its secretary-general must answer if it is to remain a relevant and useful organization.

Can a collective approach to security work today?

of the relaxing of major tensions. The improved relationship removes the possibility for lesser powers to play the nuclear superpowers against each other.

The new climate also enables the five permanent members of the Security Council to provide leadership on important international problems.

All of this is certainly promising and reflects what appears to be an international outburst of common sense.

All the Rehearsed Hokum Didn't Solve the Dilemma

By A. M. Rosenthal

NEW YORK — It was not a debate. It was not even a good news conference. It was a staged, manipulated, choreographed performance, stilted and artificial.

Neither the handlers nor the candidates are wise enough to know that the people who come across best on television are exactly those who come across best when there are no cameras around.

Neither the handlers nor the candidates are wise enough to know that the people who come across best on television are exactly those who come across best when there are no cameras around — those who can relax a little, respect the audience and take a chance on its intelligence.

Perhaps there is more to him than that. But his handlers' high sense of allowing him an inch of leeway away from memorized answers prevented us from finding out.

While U Ne Win continued to refer to Burma's form of government as federal, it was, in fact, unitary and the grievances of the non-Burman minorities continued.

By Josef Silverstein

PRINCETON, New Jersey — As Rangoon settles under the heavy hand of the military, following General Saw Maung's takeover, there are lessons to be learned from a comparison of recent events with the 1962 coup and its aftermath.

In 1962, U Ne Win brought in troops from outside the Burmese capital to seize power. He arrested civilian leaders, created a centralized administrative system aimed at nationalizing the economy and forced the nation down an unmarked road to socialism.

To hold the army together and retain its officers' loyalty, U Ne Win allowed them special privileges in housing, consumer goods and travel while ignoring their corruption.

Under military leadership, the people suffered. There were growing shortages of basic foods and consumer goods. The economy declined as a result of bad management, incompe-

OPINION

An Old Test For the New Gorbachev

By William Pfaff

PARIS — If the structure of Soviet power were the problem, Mikhail Gorbachev — President Gorbachev — has solved it. It is not the problem of power, but the problem of how to reverse the torpor, if not the decline, of a society that for 70 years has been abused, colossaly misruled, deprived of incentive to work or change, systematically repressed, and been kept in isolation from the rest of the world while constantly lied to.

Mr. Gorbachev now has power firmly in his hands. What can he do with it to solve, say, the nationalities issue? Nationalism in Armenia has now become an urgent matter. The army has been sent there to attempt to contain popular demonstrations that have continued, with brief pauses, since early this year.

The demonstrations began in a demand for the separation of the Armenian-populated enclave of Nagorno-Karabakh from neighboring Azerbaijan. This cause has thousands of thousands in the streets of February — Armenians, but also Azerbaijanis opposing such a change — ending in violence and death, mostly of Armenians.

A general strike followed, the firing of the Communist Party leadership of both republics, open conflict between the governments of the two, a crisis decision in Moscow in June to defend the status quo, a new general strike in Armenia, new clashes with police, a new decision by the president in May, now in mid-July to keep things as they are — and since then continuing mass demonstrations that increasingly have taken on an anti-Soviet character.

People now are demanding national independence. One of the leaders of the protests, asked by a French reporter if the demonstrations will not eventually wear themselves out, replied: "I think not, and Moscow should not count on that — the opposite has been happening."

"The longer this has gone on, the larger and deeper the movement has become. In February we talked only of Nagorno-Karabakh. Since then it has come to be a question of our national identity, linked to the issues of pollution, the lack of Armenian schools and generally, the lack of democracy."

He went on: "There can only be one of two outcomes from this. Either we get what we want or there will be a violent repression of our movement. The first is reasonable to expect. We think, because we are persuaded that a bloodbath would be a catastrophe for the Soviet Union and a terrible personal blow to Gorbachev, that this has been our analysis since the start. It's a gamble. We'll see."

Last weekend in Estonia, one of the Baltic republics, a "Popular Front" was organized by an officially conditioned meeting of 3,000 delegates from across the country.

It will, it says, nominate candidates to run against the Communists in parliamentary elections. It intends to "change the mechanism of power in Estonia," according to a member of the ruling committee. Its aim is a democratic, autonomous, free-market Estonia with only a security link to the Soviet Union. An Estonian Communist official says, gamely, "This is what we call socialist pluralism."

Mr. Gorbachev and his people have dealt very coolly with all this. But if they study the Armenians they will have the forebodings as their thoughts flash back to the Caucasus: what about the other Soviet republics? Repression means trouble, with unforeseeable consequences.

The Soviet "union" is much more recent, and perhaps more fragile, than most people on the outside recognize. Much of what now is Soviet Asia was brought under Russian domination only in the late 19th century.

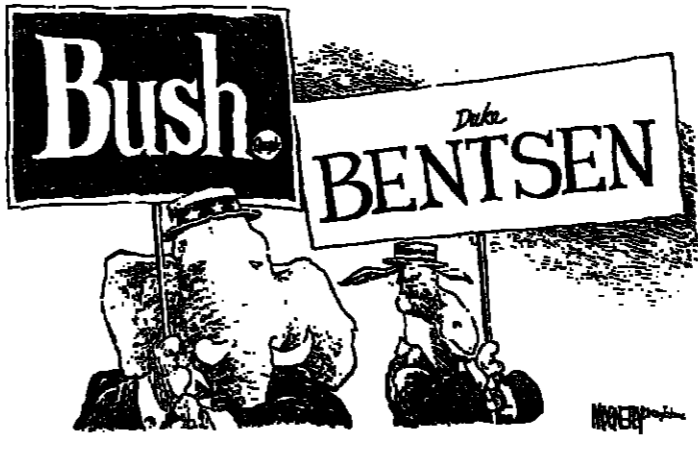
During the civil war that followed the 1917 Revolution, the Baltic nations, the Ukraine, Belorussia, Georgia, Azerbaijan and Armenia all declared independence. The Baltic states successfully defended it, until they were forcibly remanded on the eve of World War II. The others were retaken by military conquest in 1920-21.

The Armenians have been a distinct nation, if usually an overrun and abused one, since the 8th century B.C., claiming descent from Noah. Azerbaijan, now Muslim, acquired independence under one of Alexander the Great's generals, in the 4th century B.C. Mr. Gorbachev today intends to sort out this rivalry and accommodate both sides' national feelings, and those of all the rest. Or forcibly suppress them. He has to do one or the other, to survive. Good luck to him.

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100, 75 AND 50 YEARS AGO
1888: Socialist Arrested
BRUSSELS — M. Chauvire, Conseiller Municipal de Paris, who came to Belgium to organize the "Internationale," and to make speeches in favor of Socialism, was arrested at the moment he arrived at the Belgian frontier, and conducted between two gendarmes to French territory. About fifteen hundred Socialist workmen who awaited him at the railway station of Gimay yelled and howled with rage when they heard that M. Chauvire had been arrested.

1913: New Income Tax
WASHINGTON — Under the new income tax law, every person (citizen or foreign resident) whose annual income exceeds \$3,000, and every married person with an income above \$4,000, is expected to report his or her income in detail each year. The estimate of Oct. 4 indicates that the income tax will produce \$82,298,000 from the 425,000 persons taxed. Pres-



Quayle Did Fine Until the Tapes Ran Out

FIFTY minutes into the debate, Dan Quayle had just about banished the doubts about himself. He had followed his script. He had produced more full sentences than George Bush had in a week. He had held his own with Mr. Beensen. Which, given his pre-debate image, meant that he had won.

Bentsen Couldn't Score the Knockout

GEORGE Bush's speechwriter, Peggy Noonan, turned to a colleague after the Beensen-Quayle "debate" and gleefully declared: "It's over. We won the election!" She's a political professional and may well have been right. If she was right, however, it was because in a nationally televised show, Dan Quayle had done nothing likely to cause Mr. Bush to lose on Nov. 8.

Television Unmasked This Media Child

IRONICALLY, it was the camera that did Dan Quayle. In more ways than just age, his debate with Lloyd Beensen had a father-son quality to it. Like a kid with something to hide, he was obvious when attempting to change the subject or not answer a question. He invariably looked into the camera as if it — not Mr. Beensen, not the panel — would believe him.

What was once a mystery has become clearer as the campaign has progressed — as Mr. Bush has indulged himself in a campaign of mostly empty symbolism. Mr. Quayle, too, is a symbol — a campaign prop, much like the ubiquitous American flag of every Bush event. Maturity did not seem to matter to Mr. Bush and, judging by this debate, neither candor nor wit mattered either.

Also, the man himself is not up to the script written for him. Asked to come up with a formative experience that shaped his political philosophy, he quoted a bromide uttered by his 97-year-old grandmother: "You can do anything you want to if you just set your mind to it, and go to work." Omaha turned out to be a cruel place. It was here Dan Quayle proved his grandmother wrong.

Richard Cohen in The Washington Post.

Burma: The Army Won't Be Written Out of the Script

By Josef Silverstein

But the people demanded an interim government free of the military and its party. They intensified resistance. Their ranks grew as police, civil servants and even soldiers joined them.

The writer, a professor of political science at Rutgers University, is the author of several books on Burma. He contributed this comment to the International Herald Tribune.

But the people demanded an interim government free of the military and its party. They intensified resistance. Their ranks grew as police, civil servants and even soldiers joined them. This alarmed the armed forces.

U Saw Maung, then defense minister, warned protesters not to try to break up the military. The people seemed on the verge of victory and it was unclear what the military's future would be in the new order.

U Saw Maung ended party rule, dissolved all elected bodies and transferred all local authority to the nine regional military commanders. He created a ruling clique with himself in charge of three key roles: prime minister, defense and foreign affairs. The goals of his coup, unlike those of U Ne Win in 1962, were to restore order and hold elections. But he gave no hint of what role the military would play in a new political system.

What lies ahead for Burma? Clearly, the armed forces are unlikely to surrender power except on their own terms. U Saw Maung has positioned the military to be able to assert its authority and protect its interests. The armed forces do appear willing to change the system, but only if they retain control. And they will fight any move that threatens the military by weakening its command or unity.

vital policies affecting their interests. And so long as U Ne Win remains in Burma, he will be the real leader, holding the loyalty of senior officials. He will carefully monitor political changes to ensure that they do not unravel the military's hold on power.

The writer, a professor of political science at Rutgers University, is the author of several books on Burma. He contributed this comment to the International Herald Tribune.

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The future of Europe's auto industry will be fought over mostly within Europe. European manufacturers are not doing much to prepare for a new auto world beyond attempts to improve their products, lower their costs and develop their sales within Europe. They can only guess what the unified market of tomorrow will mean to them. Mostly, they aspire just to protect themselves from the outside world, and wait and see.

"What we are witnessing at present," says Renault chairman Raymond Levy, "is not the making of Europe; it is the development of civil war in Europe."

He was referring to the various new barriers being raised to further separate Europe's car markets. Despite the

Autos: 20 percent of the EC/Japan trade deficit

urgent need for increased technical harmonization, European governments are still drifting apart on subjects such as emission regulations, and some — including several German Länder — have initiated special rulings of their own. Harmony seems farther away than ever.

EC authorities in Brussels are expected to handle some 350 proposals this year to help the car industry move closer to an integrated market. But insiders feel it will be a long time before major issues are settled. Among their questions:

When and how will a country like Belgium stop blocking car tariffs? At present, cars are regularly reimported from Belgium into markets such as the United Kingdom, France and Italy, and still end up being cheaper than the same cars at the local selling price.

When and how will VAT rates be

harmonized sufficiently to insure fair competition? While numerous countries have a VAT rate of around 30 percent, in Denmark and Greece the level of tax is close to 200 percent.

Other European nations levy rates of between 10 and 15 percent and France, which lowered its own VAT on cars from 33 percent to 28 percent last year, is still charging double the rate of Germany.

When and how will local legislation be harmonized enough to allow sufficient commonality in business practice within Europe?

"I hope," says Mercedes Benz chairman Edzard Reuter, "that Europe will at least take a first step in 1992. There should be some adaptation of national regulations, but Europe will not come about just through a series of political decisions. Bureaucrats will have to learn how to intervene less, unions will have to adapt to wider dimensions, and managers will have to accept that people do not reason the same way everywhere. All in all, I am afraid we won't have a truly unified European market before the end of the century."

Most automotive executives are just as skeptical, even though they are convinced that competition within Europe is bound to become tougher. Home markets will not be protected any longer, manufacturers such as Fiat in Italy, Renault and PSA in France, Ford and the Rover Group in the United Kingdom, Volkswagen in Germany, will not be able to determine market price forever. Some of those, mainly the Fiat group, are bound to be less prosperous at home, and therefore possibly less aggressive on neighboring markets.

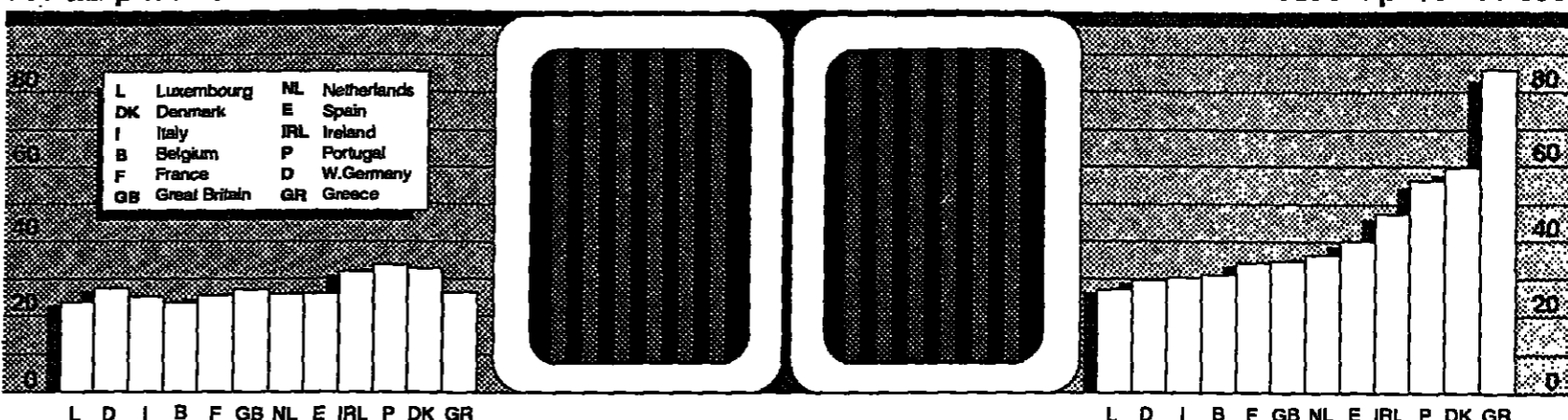
Certainly the integrated market will not modify everything; frontiers may

See Tariffs, page 111

Pre-tax price DM '000

BMW 318i

Post-tax price DM '000



The Integration Gap

A high VAT rate is just as misleading as a low one. What counts is the overall post-tax price. Italy and Spain, for example, charge high VAT rates but levy no car purchase tax. Greece charges the lowest VAT rates, yet a Special Consumption Tax can exceed 300 percent of the retail price. Result: a BMW in Greece costs nearly four times a BMW in Luxembourg.

Source: DRI International Automotive Services

Interview / Umberto Agnelli, Vice Chairman of Fiat

Tough Transitions and Social Shock Absorbers

Umberto Agnelli, vice chairman of the Fiat Industrial group and of the Roundtable of European Industrialists, outlined his views on the world automobile industry, Europe's future, East-West relations, Italy, and other issues. The interview, which took place in Turin, was conducted by Axel Krause, corporate editor of the International Herald Tribune. Following are excerpts from the interview:

Eastern Europe is again looming as a major, new market for Western Europe. Do you agree?

Hungary, Poland, Romania and East Germany have a basic culture similar to ours. And clearly if they

commit themselves to growth and consumer goods, such as cars, then I do see a market. A potentially enormous market.

For years, the Fiat group has developed its business interests in East Germany, Yugoslavia, Hungary, Poland and Bulgaria. Where is the action for you there today?

The only big thing is Poland, where we go back to the 1920s. We are renewing a longstanding licensing agreement there for a small car — the 126, which is mainly for their internal market, though some have been imported into our market. Exports, however, have been limited in the new

agreement. Now, we are discussing building a bigger, medium-sized model. It is not a joint venture. It is also a licensing agreement.

How about the Soviet Union?

As Westerners, we must hope that "perestroika" will work, and we should do all we can to help them move in that direction. That means identifying joint ventures with them. In the automobile sector, for example, we can buy products from them at acceptable quality and sell them not only technology but our finished products, then things could change.

If Fiat were to help the Soviets build another large car plant, similar to what

you did at Toljattigrad on the Volga in the 1960s, would COCOM present an obstacle?

In the auto sector, there is very little on the list. There are obstacles with regard to machine tools. Until now, we have been very respectful of the COCOM list. But we are not really doing big business. We are trying to see if there are conditions for doing good, sound business — for them, and for us.

How do you assess the Soviet Union's repeated statements about

See Transition, page V

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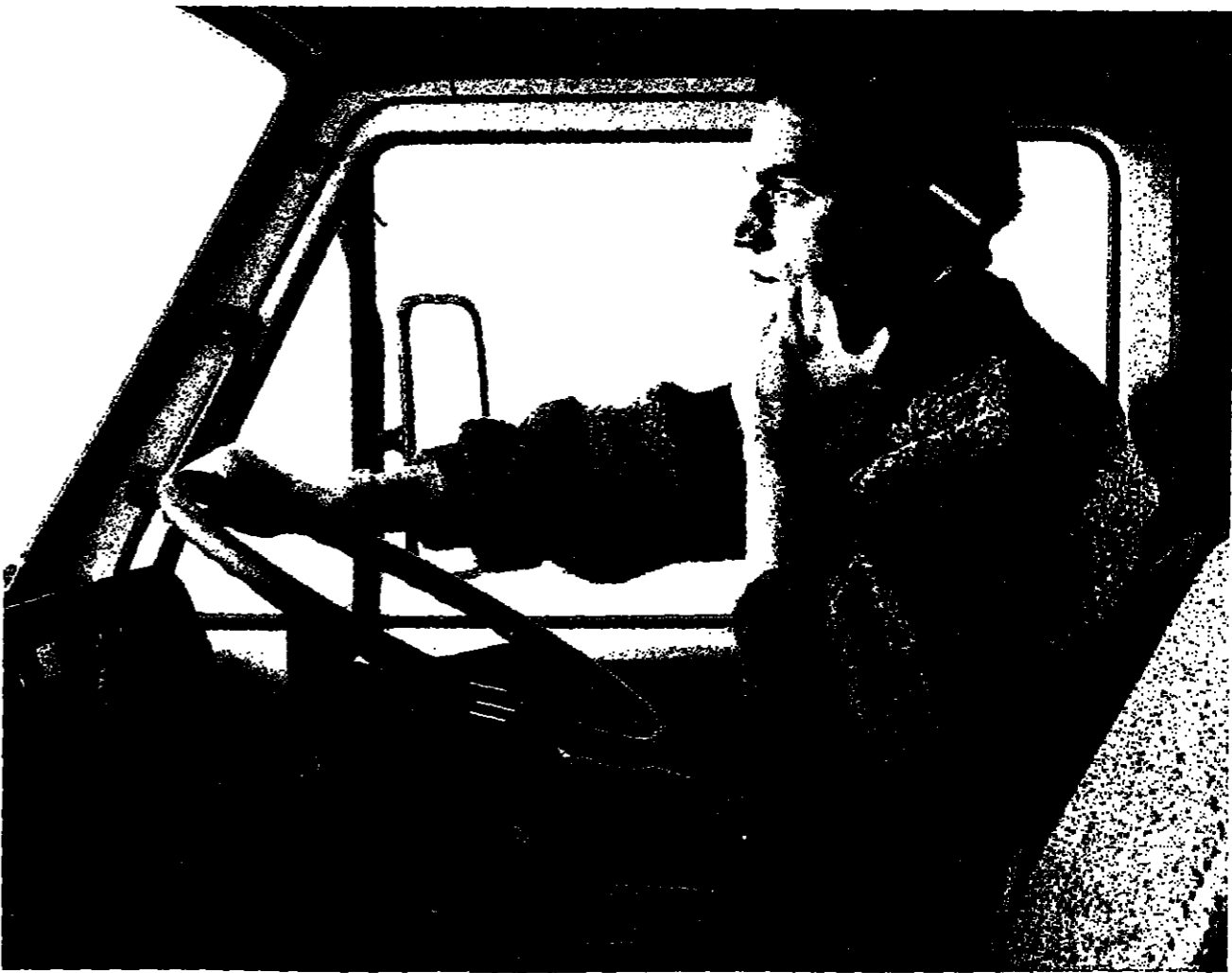
RHÔNE-POULENC

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- NOKIA-MOBIRA mobile telephones are marketed in France by MATRA NOKIA RADIOMOBILES, which had a nearly 50% market share in 1987.

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1992 The World's Rendezvous With Europe

The process of harmonizing European controls on car pollutants began in 1968. Twenty years later, it has suddenly accelerated as awareness of the link between car pollution and forest damage has grown.

But it will take at least until 1992, and probably longer, before EC pollution controls equal those already in force in the United States, Japan, Switzerland and Austria or those soon to be adopted in Sweden and Finland. The question consumers, environmentalists and European Parliamentarians are asking European car manufacturers is this: If you can build to meet American and Swiss standards

American restrictions are far tighter than Europe's

and specifications for export, why do you resist the same standards in the Community?

Over the past nine months, the European Community has tightened controls somewhat, and on December 3, 1987, the EC Environment Council agreed on tighter standards for reductions in pollution from medium-sized and large (1.4 to 2 liter and above 2 liter capacity engine) cars, but left aside the touchier issue of small (under 1.4 liter) cars. Setting new standards for small cars is vital to controlling air pollution, because they make up 60 percent of the EC car fleet and account for over one-half of total distance driven. They also produce more than 45 percent of automotive NO₂, much of that in extra-urban driving, which is not taken into account in current emissions testing.

In June 1988, German Environment Minister Klaus Töpfer, acting as Presi-

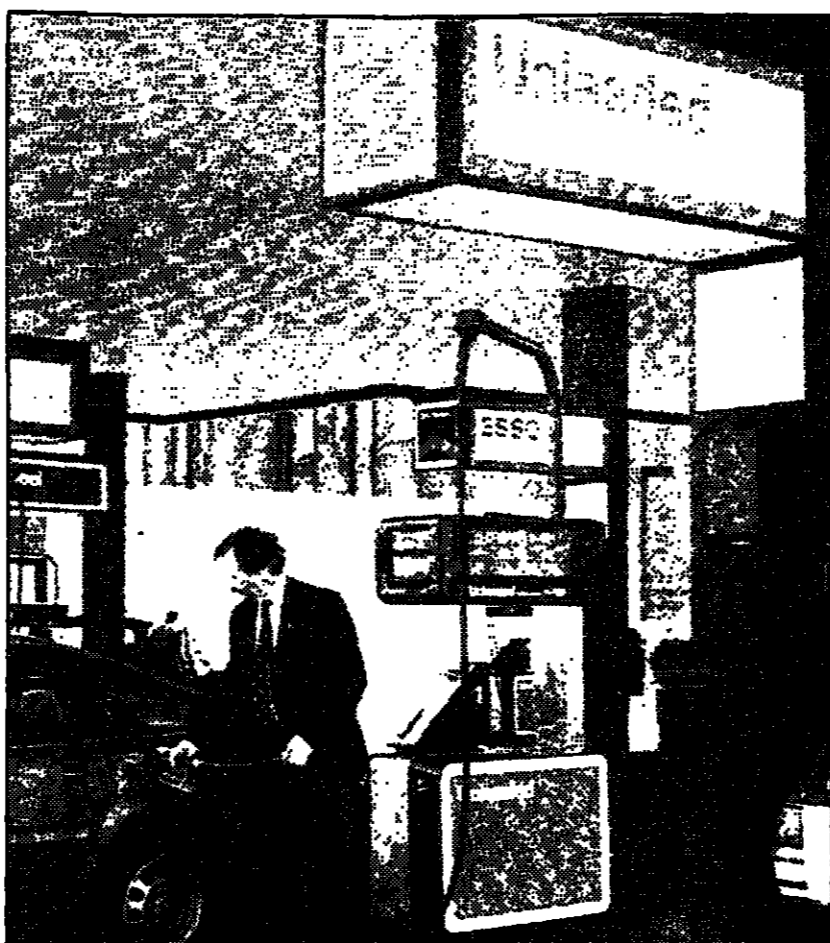
Emissions/European Control

Cleaner Cars for 1992: Will EC Standards Rise?

dent of the Council of Ministers, secured a common political position on the Commission's proposal of a limit of 30 grams/test for carbon monoxide and 8 grams/test for combined nitrogen oxides and hydrocarbons. Countries wanting to go all the way to meet American standards by reducing HC and NO_x emissions to 5 grams/test, including West Germany, the Netherlands, Greece and Denmark, agreed on condition that the Community would consider and possibly impose further reductions on pollutant emissions in 1991.

The French government backed away from the agreement in July, obviously under pressure from Jacques Calvet, head of the Peugeot-Citroën group. Negotiations this autumn are focusing on preventing Germany and the Netherlands from expanding or introducing new systems of tax breaks for buyers of cleaner cars. They are making the necessary investments now for 1992, but they can't accept the pressure from the countries providing financial incentives for cleaner cars, a well-placed European Commission official comments.

The European Parliament refused to go along with the other EC institutions, and, on September 15, 1988, rejected by a vote of 243 to 67 the proposed EC controls on pollutants from small-engine cars as too weak. "If we look at all motor vehicle emissions in Europe and growth rates of motor vehicle use between now and the year 2000, the proposed EC standards are not going to decrease pol-



Promoting unleaded fuel is one way to protect Europe's ecology.

lutant emissions at all," argues Michael Walsh, an international consultant on motor vehicles emissions controls in Washington, D.C.

"A major political price being paid by the European Community as a whole is the souring of perceptions of Europe in Germany, the Netherlands and Denmark," says Dr. Wolfgang Hager, partner at European Research Associates, a Brussels-based economic affairs consultancy.

Because cars and trucks are "mobile sources" of air pollutants, as the U.S. Environmental Protection Agency likes to term them, and produce different levels of pollution depending on their construction, age, maintenance and use, politicians are at a loss to quantify the health and environmental gains from tighter exhaust controls. Instead, countries have chosen "state of the art" in control technology as a means of regulation.

Environmentalists, along with the governments of West Germany, the Netherlands, Denmark and Greece, say that EC standards should be the same as those in the United States. The "state of the art" they say, should be what is possible, not what is technically easy and financially painless to motor vehicle manufacturers. By allowing European manufacturers to do less, the European Community has "condemned Europe to more air pollution caused by cars than is necessary," said the European Environmental Bureau (EEB).

The problem from the European car manufacturer's point of view is cost. The proposed EC standards could be met by the installation of a three-way catalytic converter or a lean-burn engine, but would add about 4 to 5 percent to the price of a bottom-of-the-line small car. The total cost of installing a three-way catalytic converter adds up to at least ECU 340, according to industry estimates. Although the technology is simple, no European company is currently selling a small car equipped with a lean-burn engine. Toyota is alone with its 1.6-liter Carina.

"Since a decrease in pollution is intangible, we are skeptical about any sudden increase in price for a benefit the consumer cannot actually see. We are afraid of the consumer's reaction," says Carlo Cucchi, secretary-adjoint of the Committee of Common Market Automobile Constructors (CCMC) in Brussels.

EC standards have always been part of what is known as "voluntary harmonization." Member states may not refuse the import and sale on their territory of vehicles meeting EC certification standards but may set their own different standards for domestic manufacturers, and a number of them have done so. A French manufacturer can sell a model in Germany only if it meets EC standards, but a model sold in France need not.

To further complicate the situation, these harmonized standards do not originate with the European Community, but at the international level of the United Nations Economic Commission for Europe. This Geneva-based body handles certain East-West political issues, in particular trans-boundary ones, including acid rain and motor vehicle pollution.

Harmonization of pollution controls on European Community cars thus means, first, harmonization between Eastern and Western Europe and the United States; then, a repeat performance by the 12-member European Community; and finally, voluntary national application to domestic manufacturers by the individual EC member states. EC harmonization of automobile pollution controls will continue at its own pace after 1992, according to

many observers. Although Japanese imports will pose a mighty threat to EC manufacturers after 1992, few industry representatives in France, Italy or the United Kingdom think that the availability of cleaner Japanese cars will make much difference in the market.

Other observers, including key consumer groups, think differently. "European producers are profiting from the politicians' weakness," argues François Lamy, who is responsible for energy, health, and consumer product safety at the Office of the European Consumers Union (BEUC) in Brussels. "Particularly the French and Italian producers are resting tranquilly behind the barriers keeping out Japanese cars, while in West Germany the economy and the environment serve each other dynamically, forcing production of the cleaner, more competitive cars consumers prefer."

"The countries most threatened by Japanese imports are exactly the countries that are most backward on environmental protection. The attractiveness of Japanese cars, which will be delivered at low cost and equipped with catalytic converters, makes the threat much more dangerous," Dr. Hager believes. His view is supported by the EC government's pushing for stronger controls.

1992 could bring the replacement of the voluntary EC-type certification scheme with a mandatory scheme, possibly including pollution controls. A Commission "white paper" on motor vehicle regulation has been circulating for well over a year, and may finally be issued within a month, but the Commission services are still divided on the question of mandatory environmental standards. Such standards are inevitable, representatives of the automobile industry believe. As of last July, any new, harmonized environmental standard affecting the Common Market must "take as a base a high level of protection," according to the new article 100A of the Treaty of Rome, the European Community's constitution. But it also explicitly allows the member states to go beyond the Community standards to protect public health of the environment.

The West Germans and the Dutch are giving other European manufacturers a headache by offering substantial tax advantages to purchasers of cars with catalytic converters, and almost all of the 11 German states have adopted smog-control regulations that limit the use of more polluting vehicles in certain atmospheric situations. The European Commission believes that tax breaks violate the Common Market and has introduced infringement proceedings against the German government, and will do so shortly against the Dutch. Some European car manufacturers see the antismog regulations as a barrier against trade in their cars, which do not meet American standards.

The Commission's complaints may run smack into article 100 and the mid-September decision of the European Court of Justice, allowing Denmark to impose national deposit and recycling requirements on beverage containers for reasons of environmental protection. These developments give the environmentally progressive states reason to hope that their higher standards can prevail alone, if not together, and in the process may be turning EC product-related environmental standards into an isolated valley, penetrated and surrounded by the higher standards of its member states and neighbors.

Ultimately it will be up to European consumers to decide, as these governments and associations believe they are ready to do, whether they are willing to pay a little extra for technology that will serve to protect their health, agricultural crops and forests, as well as reduce wear and tear on their cars.

Cynthia Whitehead

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SECTION

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1992 The World's Rendezvous With Europe

Imports / Setting Limits

Managing Free Trade and Complying with Quotas

Import curbs on automobiles are arguably one of the thorniest problems to be resolved on the 1992 agenda. The sensitivity of this issue is matched only by its complexity. It concerns many non-EC countries — and not just Japan — and touches upon a wide variety of policies and practices.

In theory the objective is for cars to enter the European Community as well as to be distributed freely among the 12 member countries, but not everyone believes the ultimate goal will be met. "There will be no free trade in cars," asserts Paul Capella, an analyst with the consultant DRI Europe Inc. "Absolute agreements don't work. The motor industry will not be allowed to go the way of cameras, so it is a question of 'managing' a free trade."

Meanwhile the hunt is on for an official interim solution to give the European auto industry time to prepare for the full brunt of open competition.

Taxes range from 12 to 300 percent across the EC

European auto industry time to prepare for the full brunt of open competition. This would ease the transition from national restrictions to a free market in line with the General Agreement on Tariffs and Trade (GATT), according to Hanns Glatz, secretary-general of the Motor Industry Liaison Committee, or CLCA.

One of the many obstacles is the disagreement between the European Commission and the industry on when import limits should be lifted, Mr. Glatz says. The commission thinks their removal should go hand in hand with export stabilization. But the CCMC, the carmakers' lobby in Brussels, wants a Europe-wide quota of 1.05 million Japanese cars and light commercial vehicles, about 15 percent below forecast imports for 1988. François Perrin-Pelletier, CCMC secretary-general, said manufacturers believe the ceiling should remain until Europe's vehicle sales in Japan rise from 120,000 this year to between 250,000 and 500,000 a year.

Willy De Clercq, EC commissioner for external affairs, says, "The industry is extremely important economical-

ly and socially in Europe, as it employs 12 million people directly and indirectly." But despite the rationalization carried out in recent years, the sector is "still vulnerable." Any solution, he says, will have to take into account three elements: the community's determination to open up to the outside, to provide legitimate protection inside, and to give an adequate response to Europe's trading partners. The commission is drawing up proposals on import curbs and other auto industry issues facing the single market, and hopes to present them to the Council of Ministers before the end of the year, Mr. De Clercq adds. This will be a crucial item for Mr. De Clercq's successor when the new EC commission takes over next January.

Five of the 12 EC countries now limit Japanese vehicle imports in one way or another. Restrictions range from a quota of about 3,000 cars a year in Italy to a 3 percent share in France and 11 percent in the United Kingdom. Spain and Portugal renegotiate their quotas each year, and even though West Germany has no controls in theory, it advises the Japanese to cool the pace when it gets too fast, Mr. Capella says.

Though imports may increasingly come through countries with no manufacturing facilities (e.g. Belgium and the Netherlands), DRI thinks the overall number of Japanese cars sold in Europe will not change that much. "The questions are where they will be sold, how high their value is and who they will compete with," a recent DRI report stated. A controlled expansion in Europe's four most rigid markets could cost Italy's Fiat and France's Renault and PSA (Peugeot) 240,000 units of lost production.

The United States and Japan both condemn the idea of a pan-European quota. "We are greatly troubled by reports that the community is considering EC-wide auto restraints in conjunction with its internal market," U.S. Trade Representative Clayton Yeutter said in a specially prepared statement. "We have been repeatedly assured that the creation of the internal market would not turn into a protectionist exercise. We hope that will be the case." All import quotas should be abolished



EC Commissioner for External Affairs Willy De Clercq: the car industry is "vulnerable."

as early as possible, says a spokesman for the Japanese Embassy in Paris. The Japanese say reciprocity suits them fine but call for trade to be measured in value instead of units. "It is impossible to compare the small cars Japan exports to Europe with the large, expensive models Europe ships to Japan," comments Moriharu Shimizu, director-general of the Paris office of the Japanese Automobile Manufacturers Association. "The value of European car exports to Japan will be about half that of Japanese exports to Europe this year in yen terms," he adds.

Japanese carmakers are the obvious target of concern, but little has been said about the South Koreans, nor about the potential threat from the Americans. The Taiwanese and East Europeans have been virtually ignored so far.

Then there is the open question of local content. The French government considers that 80 percent of a car's value must be of local origin for it to be deemed locally-built, whereas the British believe 60 percent is enough. Matters at the end of September came to a head as the first British-made Nissan Bluebird passenger cars were starting to arrive in Continental Europe. No decision has been reached on whether the cars will

Automobiles / Positioning for the Future

Tariffs and Taxes

Continued from page 1

fall, but the language barriers seem certain to remain.

Certainly the integrated market will not modify everything, frontiers may fall, but the language barriers seem certain to remain.

"We will keep specific advertising and promotion teams at work for the various countries," says the head of one leading importer, "but independent import subsidiaries of major manufacturers might become regional branches of a central office. A common European currency would speed up such developments."

"We will not just make Europe for Europe," says Peugeot-Citroën chairman Jacques Calvet. "If we are to succeed, we will make it against someone."

Of course, the major competitor, if not "enemy," in this case is Japan. Europe imported 1,180,000 cars from Japan last year, while exporting only 88,825 in exchange, with German vehicles accounting for over three-quarters of this total. The automobile branch alone is responsible for about 20 percent of the huge trade deficit between the EC and Japan. The MTI — Japan's powerful foreign trade ministry — is thought to be ready to instruct Japanese manufacturers to limit their exports to 11 percent of total European registrations. While this might please some European registrations, others are hostile to such a compromise.

An "open Europe" is bound to spread Japanese sales more evenly over the continent. This is without counting Japanese cars to be produced in Europe (Nissan, for one, will manufacture about 200,000 of its own cars in the United Kingdom by 1990), and imports of Japanese products manufactured in areas such as North America, where Nippon production is to exceed 2 million units by 1990.

The Common Market Constructors' Commission (CMCC) believes Japan's exports to the EC should not exceed more than double the number of cars the EC sells in Japan. Many, of course, feel that this is no more than wishful thinking. While German manufacturers — the only ones who took truly positive steps to increase their penetration of Japan — officially

share the CMCC's stand, they also admit that it has little chance of bearing any fruit. Instead, they are working hard at developing their sales in Japan (which by now absorb over 5 percent of BMW's and Daimler Benz's total output) and are initiating modest joint ventures with Japanese manufacturers: Mercedes with Mitsubishi, Volkswagen with Tokyo.

They are still a long way from the major common projects initiated by America's manufacturers (General Motors with Isuzu and Suzuki and Korea's Daewoo; Ford with Mazda, Nissan and Kia; Chrysler with Mitsubishi) or even the British Rover Group with Honda, but they are also way ahead of their Latin competitors on this path.

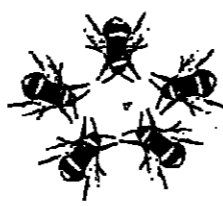
European manufacturers have more than defensive measures on their agendas. All are busy reducing their break-even points, lowering production costs through increased robotization and reduced personnel. The Fiat Tigo, one of the most spectacular novelties on the market, is a good example of what rationalization can bring about. Many add content to their cars, as Renault did with the "19", a heavier, possibly more durable and better finished product.

On the other hand, only two — Daimler Benz and Fiat — have diversified beyond cars and trucks. The majority center their action on vehicle production while getting rid of non-automotive subsidiaries and reducing their activity in parts making.

Also, there are two who only plan to increase their capacity: the Volkswagen group, mainly through the purchase of Spain's SEAT, and PSA (Peugeot-Citroën), who intend to increase their production potential from 2.1 units to 2.5 million units within the next four years.

Noteworthy is the fact that no European manufacturer produces cars in North America since Renault sold AMC to Chrysler and Volkswagen closed its U.S. plant in Westmoreland. Europeans keep exporting their cars — mostly luxury products — to the United States, but none proves able to overcome the obstacles of a weak dollar and all — Daimler Benz, BMW, Porsche, Volvo, Jaguar — are losing ground there to the Japanese. Edouard Seidler

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1992 The World's Rendezvous With Europe

Nissan in England / A Case Study

East Meets West In British Subsidiary

Nissan Motor Manufacturing (UK) Ltd., a wholly owned subsidiary, is determined to shed the label of a Japanese company. Instead, it wants to be a British and European company — over the objections of some competitors.

The taxi driver could not contain himself when he found out his passenger was going to tour the Nissan auto plant near Sunderland, in northeast England.

"Pardon me, sir, but I feel I must speak," Maurice Bewick, the driver, said in the heavy Geordie accent of the Newcastle area. "Nissan has been terribly important to this area. Nissan has imbued this area with a new spirit, new hope for our future."

In the last few years, 22 Japanese companies have opened plants in northeast England, a traditional

"English was the most convenient European language," he said. "It's a cosmopolitan place, more used to foreigners than some other places in Europe. And it's traditionally been Nissan's biggest European market, with near 6 percent of the total U.K. auto market."

Nissan and the British government opened negotiations in 1981, and the subsidiary was formed in 1984 after the Sunderland site was chosen. Over the years it has been widely reported that Prime Minister Margaret Thatcher made the Nissan plant a personal priority in order to inject Japanese management techniques and efficiency into the British auto industry.

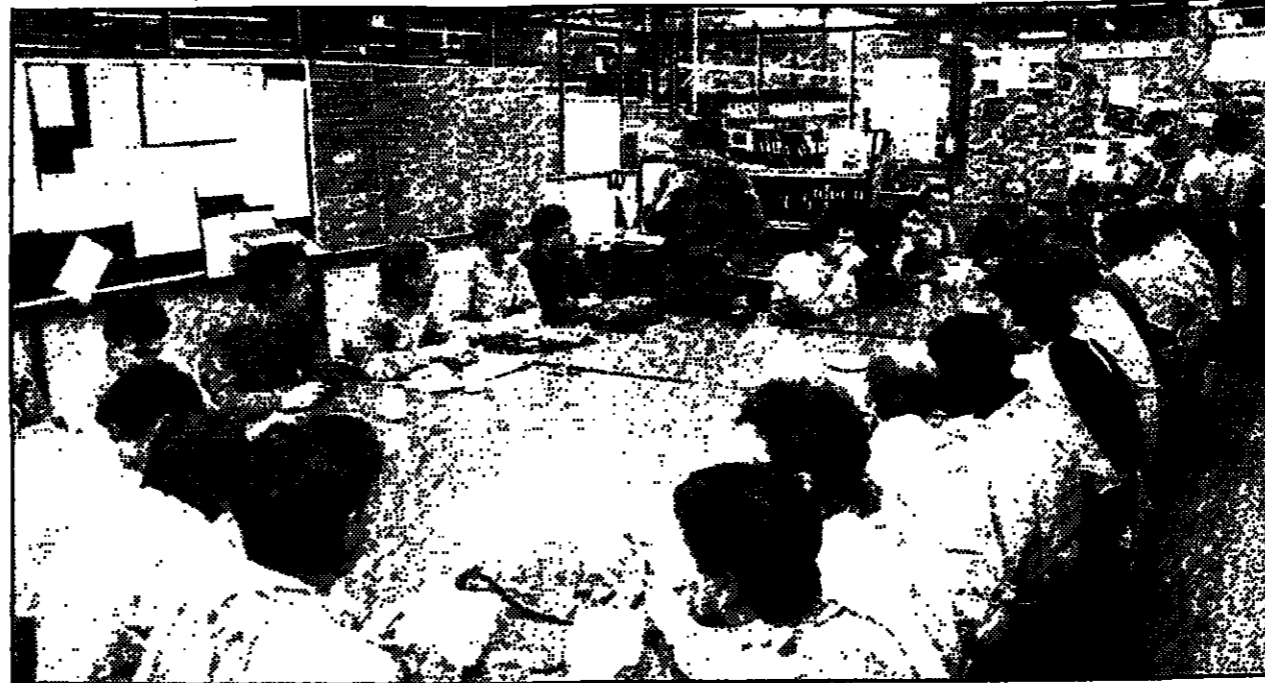
"I don't know about that, how much she was personally involved," Gibson said. "But it was clearly a big decision for Nissan and a big decision for the U.K. government. I would expect any decision on that scale would be a Cabinet issue." Gibson said Nissan found northeast England appealing because of its history as an industrial center; at the same time, he said, the absence of automotive plants in the area in the past meant that workers would not have to "unlearn" the ways of other British carmakers.

"There was a strong engineering tradition in the area, but no motor industry tradition," Gibson said. "We wanted to create an industrial atmosphere that was different. We set out to run our business entirely differently from the rest of the British motor industry."

More than 25,000 people were interviewed for the first 470 jobs at the plant, and applications continue to pour in at a rate of up to 100 a day as the work force grows from its current 1,800 to 3,500 by 1992.

Nissan executives said they have tried for an "East meets West" workplace. Only 40 of the plant's current employees are Japanese, and they are "technical advisers" rather than production workers. Among the British staff, about 250 have been to Japan for training.

There are no pre-work exercises or company songs, but workers do meet in teams of 20 at the start of each shift to discuss their assignments. Everyone shares the same parking lot, and



The team meeting area at Nissan's northeast England plant. The subsidiary produced 50,000 Bluebirds this year.

the company directors stand in the same cafeteria lines as the broom-pushers. Their blue uniforms are even the same, whereas in Japan different colors often are issued for different ranks. The plant has a single-union agreement with the Amalgamated Engineering Union; strikes are not prohibited in the contract, but neither are workers required to join the union. Shop-floor wages in 1988 range from \$13,300 to nearly \$40,000.

Construction on the plant began in 1985 and Thatcher opened it in September 1986. In its agreement with the British government, the particulars of which remain confidential, Nissan received a variety of government grants estimated at more than \$120 million. In exchange, the company made assurances on investment, hiring, spending and "local content" — the percentage of its production costs that come from firms within the EC rather than from Japan. "Local content and investment are the heart of the agreement: what we'll spend and how," Gibson said.

The Nissan plant began production in 1986 with 5,000 Bluebird autos — compact four-door, four-cylinder models that are scaled-down versions of the V-6 Maxima that Nissan makes at its U.S. plant in Smyrna, Tennessee. The local content of those first Bluebirds, all sold in Britain, was 40 per-

cent. Last year, when 29,000 Bluebirds rolled off the Sunderland assembly line, a second production shift was added a year ahead of schedule and local content was up to 60 percent. That qualified the Bluebird as a "European" car under the EC's informal guidelines, and meant it was no longer subject to the quotas and tariffs imposed by EC countries on foreign automotive imports.

In Britain, Sunderland-produced Bluebirds are now counted as British-made cars instead of falling within the import quotas that limit Japanese-made cars to 11 percent of the new-car market. The plant's 1988 goal is 55,000 cars and a 70 percent local content; by 1993, 80 percent local content for the scheduled 200,000 Bluebirds and 100,000 Micra models for a new, smaller line to be aimed at southern Europe. In early October, the plant began shipping cars from Britain to the continent. Eventually, half the cars made at the Sunderland plant will be exported to other EC countries. Some of Nissan's European competitors, notably Renault and Peugeot, have expressed concern about the Bluebird's status as a "European" car that can be sold anywhere in the EC's single market.

The French government, which limits Japanese imports to 3 percent of its auto market, has protested that the

Bluebird is still technically a Japanese, not a European car, and wants the local-content requirements set at 80 percent. Talks began last summer in which the British government is trying to convince the French that the Bluebird is indeed a European car — a conflict that is likely to become common between EC countries that get new Japanese auto plants and EC countries where those cars are exported.

Gibson said that he is not worried about meeting local content requirements, even if France persuades the entire EC to raise the limit to 80 percent for qualification as a European car. He said inspectors and auditors from Britain's Department of Trade and Industry tour the plant and examine its books twice a year to make sure Nissan is keeping its part of the local-content bargain.

Gibson said the only major component of the Bluebird that will definitely continue to be imported from Japan is the transmission, which accounts for about 8 percent of the production costs for most cars made in Europe. If and when production reaches 300,000 cars a year, he said, it may become more economical for Nissan to make transmissions in Britain rather than import them from Japan.

Timothy Harper

Briefs / People and Places

Restricting Advertising

A senior executive of a leading U.S. advertising agency has warned that new proposed regulations affecting pan-European television have turned into "a bureaucratic nightmare." Speaking in Amsterdam October 4, at a marketing conference jointly sponsored by the International Herald Tribune and the Leo Burnett advertising group, Kerry Rubie, the agency's director for Europe and the Middle East, said the new convention being drafted by the 21-nation Council of Europe could become "a detailed instrument for restricting the legitimate use of television as an advertising medium." Mr. Rubie cited a provision in the convention that would restrict future advertising to 15 percent of airtime daily and no more than 20 percent in any hour. "There is no need for the time limit," Rubie said, "and no point to it except to satisfy a craving for control — the prevailing motive of bureaucrats everywhere."

Similarly, at the same conference, Michael Horst, EC director for Philip Morris, the U.S. tobacco group, predicted: "Implementing the vision of a simple Europe will require that more power be given to European Community officials in Brussels and to the European Parliament in Strasbourg. And where there is a concentration of power, there is also an inviting target for pressure groups — I mean people who want to control what companies say, and how they say it."

Mrs. Thatcher's widely quoted speech in Bruges, Belgium on September 20 was interpreted as "Gaulist" for its nationalist, anti-European overtones regarding political sovereignty, and her insistence that individual European countries maintain their identities. Commenting on her speech and the reference to Charles de Gaulle's policy of the early 1960s, Lord Cockfield, the outspoken EC Commissioner criticized by Mrs. Thatcher for being "too European," told the Swiss Institute for International Studies in Zurich October 3: "De Gaulle's concept of a 'Europe des Patries' is nothing but a fig leaf to disguise total opposition to the whole project."

France wants local content set at 80 percent

smokestack area that was hard hit by the demise of the shipping, coal and steel industries and still suffers some of the highest unemployment rates in the country.

Among the 22, Nissan is clearly the biggest and most important Japanese plant in the area. With a capital investment of \$500 million — to reach \$1 billion by 1992 — the plant is the largest single Japanese investment ever in Europe.

Ian Gibson, the Briton who was hired away from Ford Europe to serve as deputy managing director of the Nissan plant, welcomes visitors in his office — the only other private office in the open-plan plant belongs to Toshiaki Tsuchiya, the managing director — wearing the same blue uniform as workers on the production lines. The jacket even has his name sewn on it, along with little corporate patches like those worn by tennis players.

He said Nissan, the second-largest Japanese carmaker and the one with the most sales in Europe, decided to open a British manufacturing subsidiary long before the European Community began taking serious steps toward creating a single market.

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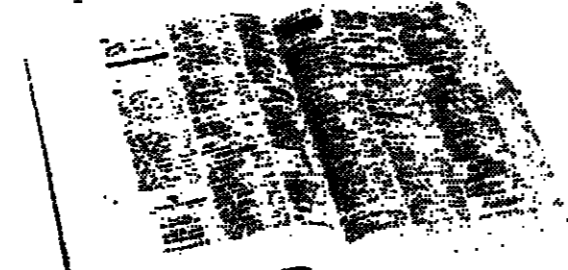
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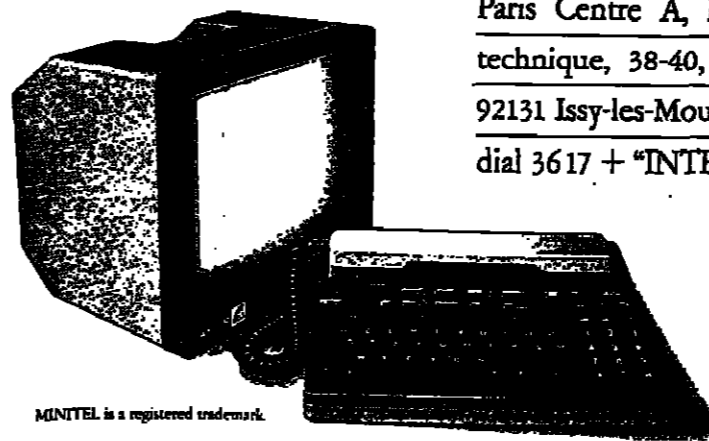
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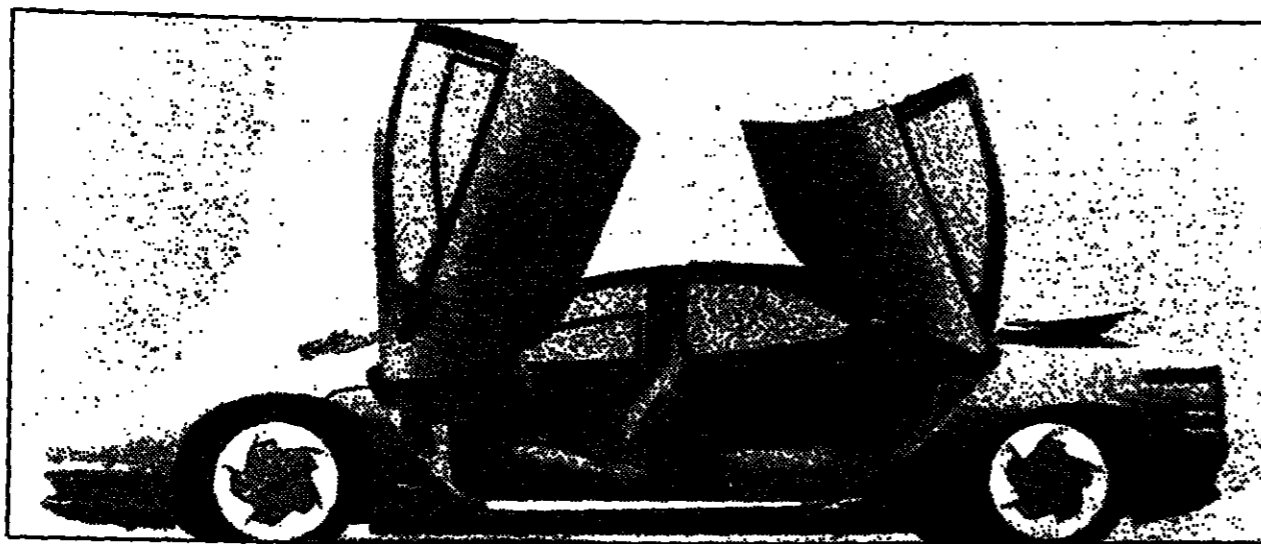


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Luxury/A Booming Industry

New Competitors Enter Lucrative Sector

Today, Europe is the world's chief producer of luxury cars. As Japan and the United States try to edge into this lucrative market, Europe will have to fight to maintain its position.

Automotive industry experts and analysts engage in considerable and frustrating research attempting to define luxury cars and their users. For consumers, the answer is much easier. Whether they are American, European or Japanese, they will define luxury cars by naming brands that are mostly European.

The European image dominates even in the United States, despite the nearly one-million cars classified as "luxury" produced by the American industry. Americans buy high-quality, expensive American cars — such as Cadillacs and Continentals — while still apparently accepting that true lux-

American makers learning luxury is more than size

ury resides in European brands such as Mercedes and Jaguar. This anomaly results partly from the American industry's definition of a luxury car as a very large vehicle.

European luxury car manufacturers not only have the best image, they also produce the most: 1.5 to 1.7 million units a year. They are their own best customers, consuming 1.1 million units at home. These factors, combined with exports to the United States and Japan, have consistently made this sector highly profitable.

Changes in the EC related to 1992 could either interfere with or improve the success of the European luxury car industry. In addition to the increased competition resulting from the internally free market, the final agreement to harmonize Value Added Tax (VAT) and excise tax will be important. If, for example, a moderate VAT rate such as the German 14 percent is chosen, this could promote demand in those European markets with currently higher rates. Conversely, a high choice would hurt the lucrative German market and bring no other European growth.

Soon European luxury car manufacturers will not be alone in this lucrative market — non-luxury car producers are edging into it. Some American manufacturers are no longer content to provide luxury in size alone, but are examining ways of competing more directly with European automakers. The Japanese, who currently produce very few luxury cars, have also decided to have their own offerings. So far, they have created specialty cars with very high quality and performance. In Germany, these Japanese cars have met German brands head on. This is not the case in the United States, where American brands are still behind European ones.

Within Europe, the six volume manufacturers — Volkswagen, Renault, Peugeot, Fiat, Ford, General Motors — already have products that purport to compete with the core luxury products, and some Fiat Lancias and Volkswagen Audis obviously are in

the luxury sector. Although the other four manufacturers have not significantly penetrated the luxury sector, they may have created a new market.

The movement to attack the core luxury market is encouraged by two major forces. First, the world demand for automobiles is generally forecast to grow at only 1 to 1.5 percent annually in new units. And, secondly, the consumer rate of growth in outlays for new cars is vastly outstripping unit growth, as consumers buy more options and accessories, better performance and, unique styling.

Recognizing the diminished market outlook for units, and in order to cash in on consumer outlays, volume producers have developed more differentiation throughout their ranges. The Japanese are probably the leaders in this; they generally have more complex products than either their American or European competitors. This strategy often leads to improved margins on the incremental revenue and an emphasis on value added versus units or share. Restrictions and quotas on Japanese imports into the United States and Europe are encouraging the Japanese to emphasize this kind of strategy.

In Europe, the U.S. and Japan, the luxury industry is rich and growing; having survived the oil shocks and various recessions, it is now extraordinarily resilient and competitive and growing more so. But Europe will have to struggle to keep its leadership position in what has become one of the most lucrative automobile sectors. Donald L. Kress

Interview / Umberto Agnelli, Vice Chairman of Fiat

Transitions and Shock Absorbers

Continued from page 1

willingness to join the IMF, GATT and other international bodies?

I believe that there is, basically, a political idea behind this. Soviet leaders realize that if they don't open themselves up in the next 10-15 years, and move away from spending so much on the military sector, others will become more influential — China, India, for example.

Looking at Western Europe and 1992, how important to you is realization of EC tax harmonization and a common currency?

It is fundamental. Otherwise, I don't see the possibility of having a real integrated European industry.

But the recent statements by Mrs. Thatcher and Michel Rocard indicate it's going to be politically difficult, if not impossible.

I'm used to hearing these flamboyant declarations. They are mainly done with a view to negotiating. But the recent steps taken toward unifying the European market are really big. I would say irreversible.

Notice that the European Roundtable has avoided taking a stand on political integration and sovereignty when talking about 1992. Why?

We have a rule at the Roundtable — we must reach unanimity before we come out with a statement. So I'm afraid we'll remain prudent.

What do European industrialists think about political integration?

The great majority of industrialists would like the united market to be the first step toward a more politically integrated Europe. That means a European defense policy and, of course, a European procurement policy which is fundamental. And a European foreign policy.

How do you react to new talk about the dangers of a social explosion in Europe caused by worsening unemployment?

We will have to continue finding social shock absorbers. It's going to cost a lot, something we don't speak about very much when discussing a united Europe.

How do unions fit in?

This is probably going to be the most important problem to deal with. Yet it is very difficult getting them involved, because they are afraid of los-

ing power. They should identify themselves with problems of training and education.

Fine, but many union European leaders still warn that 1992 means more unemployment.

Yes, there has been unemployment. And it is a dramatic problem. Luckily, there hasn't been poverty. Unemployment in the 1930s meant poverty. Today unemployment is trying to find jobs you don't particularly like.

What is the future of profit-sharing plans, considering that European-based auto companies in Europe are doing so well financially?

One has to be careful how they work, to take account of a downturn in a bad cycle. But the time, the atmosphere is ripe for profit-sharing plans in Europe, because things are going

other solutions. The important point is getting economies of scale.

How do you explain talk of other moves planned by Fiat, specifically into insurance and services?

Let us not confuse Fiat and IFI, the (Agnelli-controlled) holding company. But we definitely do have an interest in financial services, because services go with, and complement industry. We are taking some little steps in that direction.

Does all the talk about a Fortress Europe mean that, in effect, European industry is seeking a transition period to prepare itself?

Yes. It is going to be a tough period. What is your reaction to Senator Packwood's warning at the Aspen Institute conference in Canis that he would not accept a transition period for Europe unless it contained guarantees to end at some point?

I think he is right. You also must define what a transition period is. But I think it is very difficult to come up with an answer today. We still don't know what the EC fiscal laws are going to be, what kind of currency we will have, or how much unification will cost.

What is the future of high-speed European railroads?

There is space for both airways and trains. What is really important are the costs. Today in Italy the income of the state railways covers only 17 percent of its expenses. Yes, people think about going by train from Paris to London in 2½ hours. But it's going to cost more. Look at Japan and what the trains cost there. Before proceeding too far, people should know that they are going to have to pay for it. I also agree that national air traffic control is a disaster, although with European air traffic control, things should improve a lot.

How is public opinion in Italy reacting to 1992?

Italian public opinion has always been very pro-European, even before the others. You may find some people who are very scared about the integrated market, mainly in the services area — banking, insurance, customs. I believe there are 70,000 people employed in the customs/border service in Italy. Therefore, you cannot say there is total support for 1992. But there is a big majority supporting it in the country as a whole.



Umberto Agnelli, Vice Chairman of Fiat

well. The French already have a few companies doing profit-sharing.

There is regular talk about big, cross-border mergers among European automakers, but nothing ever happens. What's the outlook?

The general outlook for the automobile industry is change, and many things are going to happen fast in the area of components. They are 60 percent of the added value of a motor car. Yet I wouldn't exclude something happening at the level of final assemblers. Remember, our business is acting in a different way today.

Are you suggesting joint ventures between you and your competitors?

We've got some joint ventures with Peugeot. We make a van with them here in Italy in a 50-50 venture. Why not have other projects of that kind? It doesn't mean merger. There may be

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1992 The World's Rendezvous With Europe

Perestroika / Difficulties Are Daunting

Changing Priorities Of Soviet Industry

As Moscow's clunky industries gear up for consumer demands that have been ignored for decades, huge possibilities should open up in the next few years for collaboration with the European Community, but there are problems.

In Yelabuga, a small town east of Gorki on the Kama river, industrial managers were drawing up plans to build yet another heavy tractor and

The non-convertible ruble remains a problem

bulldozer factory when the word came down from above. Man cannot live by tractors alone. Go build something that people really need. So, the tractor plant is being transformed into a factory for electric cars for the handicapped. Officials point to Yelabuga as evidence that perestroika is genuinely changing the priorities of the Soviet economy.

Enhanced industrial cooperation with the European Community tallies neatly with another of Mr. Gorbachev's pet themes, the need for a "common European house," or united Europe. Though it is not expressed

overtly, there is a palpable hostility when Soviet diplomats speak of 1992, a clear suspicion that more unity in Western Europe will mean less concern with Ostpolitik, less interest in Central European sentiments of cultural identity, in short, exclusion.

"The problem of 1992 is both economic and political," says Victor Favorine, a technical counselor in the Paris Embassy. "It's not possible to create two separate markets in Europe." Some problems, like cross-border pollution, demand common solutions; others would benefit from a pooling of resources. Favorine argues, painting an idyllic world in which communist East and capitalist West overlook their differences to work together for mutual benefit.

Certainly there is scope for good deals. Soviet car production, creaking along at about 1.3 million vehicles a year, is barely larger than Belgium's and smaller than Spain's. Total East European car production, at less than 2.4 million last year, was ahead of Italy but behind France's 3 million, to say nothing of West Germany's 4.4 million. According to an *Economist* study in April, an average Muscovite faces an eight-year wait to buy a car — by which time, even on an average Soviet

salary, he will have been able to afford it twice over. But, strapped as they are for hard currency, the governments of the Council for Mutual Economic Assistance (COMECON) prefer talking to buying.

Take Yelabuga: it was the only concrete example cited by officials seeking to illustrate the prospects for East-West cooperation in the auto industry yet it appears to offer no such prospects whatever. With the Soviet market for five-ton electric cars soon to be fully covered by domestic production, what other enticements can Eastern Europe offer EC automakers in the 1990s?

Auto companies say the Soviet market holds unlimited prospects, or none, depending on whether you look at its vast reservoir of pent-up demand, or its ability to pay. Citroën, which has done a variety of technical cooperation, plant building and component manufacturing deals in the past with Romania, East Germany and Yugoslavia, is currently battling Italy's Fiat and others for a potentially major engine manufacturing contract with Czechoslovakia. "There's a super market to go for," the Citroën official says. "It could be fabulous if it ever opens up. Trouble is, nobody knows if

or when it will." Typically, the Czech negotiations to set up a factory making 400,000 modern 1.5-liter engines a year for Skoda, have been running two years and look set to continue forever.

"We talk, but nothing happens," comments an official at Renault on the state-owned French group's efforts to develop its existing links with Moskvitch. "There's not much to say about prospects because we can't fix any long-term strategic plan. We don't set the rules of the game."

True, admit rueful Soviet officials. In fact the rules of the game are set by circumstance, in the form of the non-convertible ruble. Because the ruble is not a convertible currency, imports and technology purchases have to be paid for from export earnings — which have been hit by two years of depressed prices for Russia's main exports, oil and gas. Moscow's new generation of managers and economists have started to talk about making the ruble convertible. But the difficulties are daunting and will take years to resolve, Soviet diplomats say.

Meantime, for all the problems, deals do sometimes get done. Italy's Fiat, long a leader in the field, announced early in September it had been chosen by Warsaw for a Polish car building project, its second in a year.

Brian Childs



M. Gorbachev visiting a Lada plant: the Soviet car industry is changing.

Components / The Lucrative Battleground

Disorder and Potential Of a Crucial Industry

The average European car has electronic systems built into it worth \$300, whereas the figure in the United States and Japan is \$900. With some very notable exceptions, the European components industry lags five to six years behind the United States and Japan in electronics.

There are companies which are already moving quickly toward a more focused and consolidated position. Valeo has absorbed Chausson, Magneti Marelli has absorbed Matra, Lucas has restructured itself to recognize new business opportunities.

A single European market should encourage economies of scale that will enable local suppliers to catch up technologically. But a single market is a two-edged sword: it will also encourage American, Japanese, South Kore-

an and other components companies to set up shop. In the vehicle manufacturing industry, the strength of brand names will prevent a radical industry restructuring, but there is no such constraint among suppliers.

In the United States, where the industry has always enjoyed the benefits of a unified market, many of the traditional components players have failed to recognize the move toward global competition. The result: in certain components sectors the Japanese have gained as much as 25 percent of the American market. The European industry faces a similar future if it cannot meet the challenge of the coming decade.

Will history repeat itself? Not necessarily, if the European vehicle and components industry accelerates its reaction to a new environment. Euro-

pean unification will profoundly influence car sales, retail and after-sale conditions, and vehicle regulations. These changes will affect all players in the automotive business, and the suppliers are a critical part of this business. Within the supply chain to the car buyer, the components industry adds more value than the vehicle manufacturing process itself. Yet the suppliers are often seen as the "poor relations" of the manufacturers. Many buyers do not realize that components suppliers rather than vehicle assemblers have led to such innovations as anti-lock braking and fuel injection.

Most suppliers have seen themselves as just that: suppliers in the vehicle assembly industry rather than prime movers. That is understandable in economic terms: there are many suppliers, but there are few powerful

assemblers, who are in some cases a key part of their national economy.

The European components industry has a number of strengths that, if harnessed, will enable it to compete vigorously in the markets of the future. Among those strengths are design and engineering skills and a proven ability to efficiently adapt components to market demands. Can European automotive suppliers compete, however, not only in their own markets, but also in the rest of the world? The Japanese have proved that they can; the jury is still out on many of the Europeans.

If the European components industry is to compete, the vehicle manufacturers will have to help. They should develop a pan-European version of the Japanese "just-in-time" supplier strategy; cooperate with key

suppliers to share technologies; invest themselves of their own components subsidiaries when outsourcing (industry jargon for buying from independent suppliers) makes more economic sense; seek alliances, joint ventures or mergers with component makers; reduce the number of suppliers, but work with those that remain to develop and strengthen them.

In short, vehicle manufacturers and suppliers must work more as a single industry. If they do — and it is a big if — everyone in Europe will benefit.

The existing suppliers will become more competitive and profitable. The new suppliers entering from Japan, and from the electronics and materials industry, will find stronger partners among the existing players with which to build alliances. The vehicle manufacturers will receive a better service on product development and component supply. Just as important as any of these, the customer will end up with a better product.

Mark Snowden

A move toward global competition is likely

tronics and materials industry as well as overseas competitors to eye it avidly. They're encouraged by what they see: an industry with a fragmented, "Balkanized" structure. In Britain, for example, seven companies compete in the radiator business for a total turnover of \$80 million and nine for orders for seats worth only \$30 million a year.

1984 — "Best car of the world"
 1985 — "Best car of the world"
 1986 — "Best car of the world"
 1987 — "Best car of the world"
 1988 — "Best car of the world" *

Mazda 626 — Imported Medium Range Car Category

*As voted by readers of *Auto Motor und Sport* Magazine

RECENT STATEMENTS SUGGEST THE PEOPLE OF THE E.C. HAVE VERY MUCH IN COMMON.

We were extremely honored when we first won the *Auto Motor und Sport* Best Import award back in 1984. So imagine our pleasure when we proceeded to win the award the next four years in a row. Germans know their automobiles. As do the Swedes, Belgians and Austrians, who also sent plaudits Mazda's way. These included the 1987 "Great Austrian Automobile Prize" for the Mazda 626, a No. 1 "No Defect" rating in 1988 for both the 626 and 323 in Sweden, and the 1988 overall No. 1 Customer Satisfaction rating in Belgium. Still, many Europeans have never driven

a Mazda. People every bit as enthusiastic and knowledgeable about autos as the people of the above four countries. They have yet to experience the precise cornering. Exhilarating and reassuring "footwork." Or innovations like our speed-sensing 4-wheel steering, and advanced suspension systems.

This explains why Mazda is currently constructing a US\$40 million Research and Development facility near Frankfurt, West Germany. Scheduled for completion in 1989, this center should familiarize all Europeans with the innovations and advances Mazda is



making. While enabling us to adapt even more to the demanding European marketplace.

As 1992 approaches, there is much to look forward to for a unified E.C. So, too, for Mazda. For it is by then that we hope to be universally known to all Europeans. And further established in our reputation for building some of the world's finest cars.

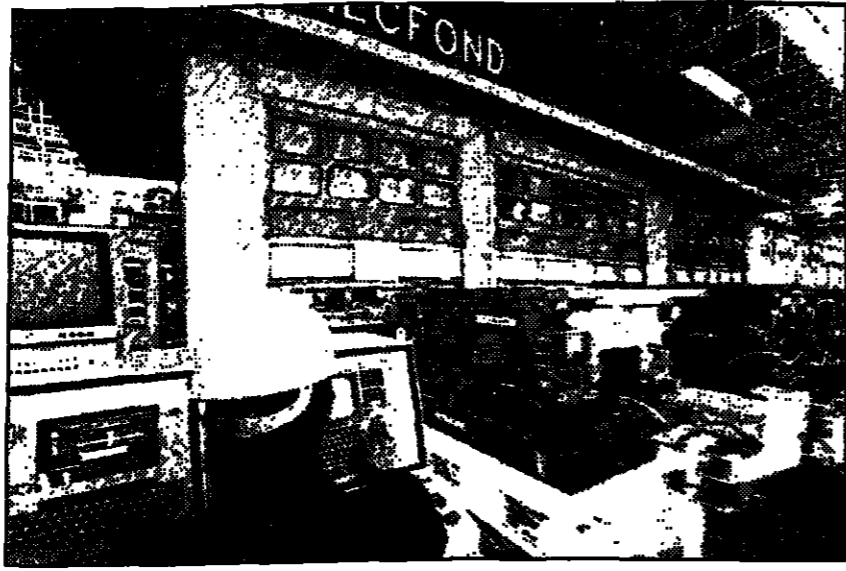
mazda
 © MAZDA MOTOR CORPORATION

1992 The World's Rendezvous With Europe

Automation / Just-In-Time Production

Computer Control

Intense competitive pressures and improved cheaper technology have become strong driving forces behind investments in factory automation that will ensure the production capability necessary to reap the benefits of the 1992 Euro market. The common goal is computer-integrated manufacturing (CIM), a system for complete computer control of the production process from product design through manufacture and dispatch.



Computerized production in action at Fiat's Cassino plant.

System incompatibility is major stumbling block

porate communications for Fiat, of its new Tipo assembly plant at Cassino, Southern Italy. Stripped and rebuilt at a cost of \$2 billion, the plant has been crammed with over 400 robots, 500 automated guided vehicles and extensive networks of computer controls.

Euro market with ambitious multi-million-dollar plans for highly flexible, computer-controlled factories with a future.

The idea behind developing a CIM system is to supply all machines and people in a company with information from a single database. This links the work of management and engineering with sales and distribution. Activity or change in one part of the business operation dominates across the computer system to inform and affect all the other processes.

Computer-aided designs pass automatically to the shop floor for production, while purchasing is alerted to

changes in inventory levels and sales is sent confirmation of shipping dates. Ford Vice Chairman and Chief Operating Officer Harold Poling says it is "now impossible for motor makers to do everything alone."

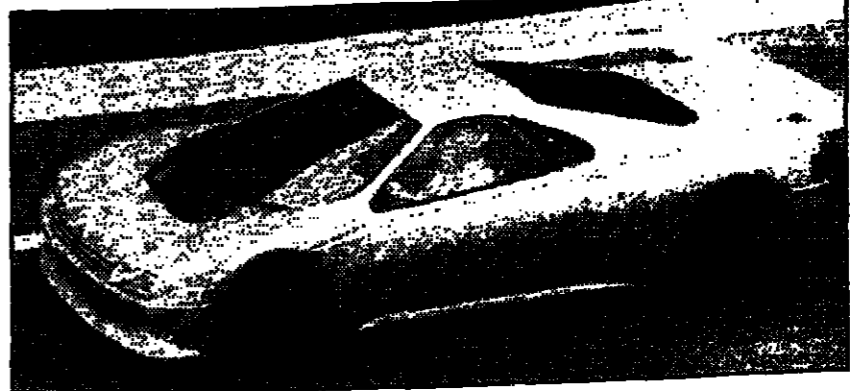
The need for a quick response has provoked Renault to develop a corporate Europe-wide communications network that connects showroom microcomputers directly with the company's main production control computers in Paris. This, says Sales Director Eddie Orr, "minimizes reporting time delays between factories and dealer outlets, and so provides us with greater accuracy on vehicle lead

times and order status." It allows dealers to amend an order directly, to meet changing customer requirements. The system is to be extended to give dealers a direct parts-ordering facility.

British car makers are also fine-tuning their operations. "We are aiming to cut production inventories by up to half," explains Ron Aspinall, production control director of Austin-Rover, which is using an approach of total just-in-time (JIT) manufacturing at its UK Longbridge and Gowley assembly plants. An extensive program of rationalization is underway which involves setting up a base of preferred quality-assured parts suppliers, rebuilding unloading docks and rearranging production line layouts.

Ford of Europe, which pays some \$5 billion a year to its European component suppliers, has similar plans. Starting with its Saarlouis assembly plant in West Germany, the company has begun to assess just how its supplies, schedules and production methods can best be tied together. "It's going to take us probably five years to get just-in-time across Europe," Vice President for Supply Alan Spencer has said.

A prerequisite for JIT is to achieve timely deliveries of high quality parts, which as a matter of necessity pushes suppliers closer to their customers. This is no more than it should be, in the view of Lawrence Williams, chairman of Geneva-based Caterpillar Overseas, a market leader of high horsepower engines with worldwide contracts with Mercedes, Ford, and other major companies. Mr. Williams predicts a resultant shake-out in the supplier markets during the run-in to 1992: "Suppliers must be able to pass the quality hurdles, become JIT oriented and work closely with their customers in a value-added way," adding



Peugeot's Oria.

that otherwise they would go to the wall. Caterpillar is itself planning a multi-million-dollar "plant with a future" program of low risk investment in proven technology.

If CIM offers the production flexibility for building a lot of different versions of the same model to target markets more precisely, it also demands investment in manufacturing systems that are less regimented than the assembly lines of yesterday. Factories need to be primed. As if to prove the point, Ford along with General Motors and Chrysler broke new ground recently with a joint venture to pool research efforts into the use of reinforced plastic, the adoption of which would revolutionize manufacturing processes.

These corporate moves will have serious implications for the manager of the factory of the future. If like Volkswagen you have 46 different makes of computer-aided design systems in use, data transfer between companies and even across sites becomes a real headache. The problems were highlighted by General Motors' decision last month to standardize on three corporate-wide computer de-

sign systems. GM has been the driving force behind the development of one solution to the problems of computer incompatibility, called the Manufacturing Automation Protocol (MAP). A "machine esperanto," MAP will enable all the machines in a factory to be plugged along a single communications cable, regardless of make or type. Away from the factory floor, however, this level of sophisticated data communication between companies, and even across different sites, is still a long way off.

Some view the use of manufacturing technology as the ultimate key to future competitiveness, but it is becoming clear that this technology will only be unlocked by managements who negotiate successfully with the trade unions.

The strike last April by workers at Ford's main engine plant in the United Kingdom affected production on its West Germany just-in-time assembly lines after only two days, while early industrial action at Volvo highlighted the potential repercussions on plants that rely on computer-controlled production systems.

Kevin White

"Synergy," the buzzword in today's European automotive industry, is defined by Webster's as "joint work; to work together; combined or cooperative action or force." To automakers diversifying their operations in the wake of recent takeovers and mergers in Europe, synergy simply means success — or, sometimes, survival.

Most of the diversification has a dual aim: to insulate the auto compa-

Diversification / Survival Tactics

Automakers Branch Out Into Other Industries

toren-und-Turbinen-Union (MTU), an aircraft engine company. In the autumn of 1987, Daimler also took a small stake in Matra, a French defense and electronics company.

Officials at Daimler, now the largest industrial company in Germany with 326,000 employees and annual sales of more than \$35 billion, said the other companies were not acquired solely to make a better Mercedes-Benz, but rather to build a stronger, better-rounded group with a "common corporate culture" based on synergy. One of the first signs of this hoped-for cooperation has been turning the AEG research labs near Ulm into a group-wide facility. One of the first projects is to find a way to use AEG technology to build "traffonic" electronic traffic-control systems into Daimler cars.

Beyond the nuts and bolts of trying to get automotive designers, computer experts and aerospace engineers to think not only of their own work but each other's, industry analysts see problems for Daimler. Foremost are the digestion difficulties for a company that, with no history of takeovers, suddenly makes three big ones. The 1987 shake-up that saw Edzard Reuter replace Werner Breitschwerdt as chairman was widely regarded as a coup growing out of turmoil on the Daimler board over whether and how new companies should be acquired. "They're trying to integrate the

businesses they bought, and it appears to be giving them a bit more trouble than they expected," said Gavin Lauder, a motor industry analyst for Kleinwort Greaveson stockbrokers in London. "The problem is in how they arrange their board of directors," he added. "Before, they just had cars and parts. Now they've got two new divisions. Are they going to enlarge their board or enlarge the responsibilities of the present board? To the best of my knowledge that's not really resolved yet."

He said diversification is not always a good idea, citing Volkswagen's 1979 purchase of Triumph-Adler, a typewriter and computer company it sold in 1986 to Olivetti for a 5 percent stake in the Italian company. "It wasn't big enough to be a completely separate division," Lauder said. "There were small benefits they could get from having their own computer company, but it wasn't worth the losses." He noted the West German government's efforts to have BMW take over the "obvious bait" of German aerospace company Messerschmitt-Boelkow-Blohm (MBB), but he doubts that the motor company will bite. He said BMW might want MBB, but probably wouldn't want its loss-making Airbus work. At the same time, a key to the takeover for the German government, which had earlier reportedly been hoping for an MBB bid by Daimler, is restructuring its commitment to Air-

bus. Lauder says companies diversify to avoid the inevitable up-and-down cycles of the auto industry. One example is Fiat, Italy's largest private company. Since it was founded in 1899, the company has a long history of diversification, beginning with auto-related industries such as ironworks. Fiat Aviation was founded in 1908, followed by subsidiaries in automotive finance in the 1920s and civil engineering in the 1930s. Later Fiat expanded into publishing and freight agencies.

"While transport is still the core of our business, it only accounts for about 50 percent of turnover," said Richard Gadeselli, a Fiat spokesman. "In recent years we've been investing in high technology." One acquisition is a company that supplies robotic production lines not only for Fiat cars but also for Jaguar, Ford and General Motors. Other subsidiaries make gallium arsenide chips for satellite communications systems, water treatment systems, various components for nuclear power plants, industrial turbines and the propellers for Ariane rockets. Fiat's biomedical engineering subsidiary makes, among other things, cardiac valves and AIDS and hepatitis diagnostic kits. Gadeselli said this culture of diversification throughout Europe has helped prepare Fiat for the EC's single market. "For a long time Fiat has had this policy of diversification," he said. "On the automotive front, all our production is in Italy. All

our other divisions have, if not an intercontinental dimension, certainly a pan-European dimension. Fiat is not frightened by the challenges of 1992. We say we've been tracking in a pan-European style for a long while." Like Fiat, the big U.S. automakers began diversifying in their early days in order to control more of their operation. Ford, for example, owns its own steel and glass companies.

Most American auto subsidiaries, however, have so far left the diversification to their parents. Martin Watkins, Ford's public affairs manager in London, said the company's only diversification in Britain has been into finance-related subsidiaries such as Ford Motor Credit Co. Ltd., and Ford Fleet Financing.

Diversification has come not just among auto companies within the EC, but also non-EC companies selling to the EC. "What we did was to get into the food industry," said Per Utterback, a spokesman at Volvo's headquarters in Gothenburg. "We are today Sweden's biggest private food industry. We have a fish industry, mineral water, a Swedish sugar company, biotechnics and fast food, too."

He said Volvo's diversification into food began in 1982, when the company realized that it was nearing its peak in the personal car market. "We produce to our capacity and we're selling everything we build," he said. "What else can you ask for?" Utterback said Volvo is interested in further acquisi-

tions, especially in expanding in the truck market. "What we need today is to be more independent of passenger cars," he said.

For some carmakers, it has made sense to become part of someone else's diversification program. Rolls-Royce, for example, has been part of the Vickers Group since 1980. Besides the luxury auto division, the Vickers umbrella covers a medical division, a marine engineering business, a company that makes printing plates and one that produces armored cars. "Rolls-Royce is one of five key businesses for us and it's an extremely good fit," said Matthew Butler, a Vickers spokesman. "It fits our strategy criteria perfectly. It's a world leader and it's competing internationally."

For Britain's Rover Group, diversification came in the form of an invited takeover after a casual conversation last year between its chairman, Graham Day, and Roland Smith, the chairman of British Aerospace. Under the agreement reached last spring, BAE would pay £150 million for the 99.8 percent of Rover's shares owned by the British government.

In turn, the British government, anxious to privatize the car company it had bailed out in 1975, agreed to provide an £800 million cash injection — later scaled back to £547 after review by the EC. Day said the BAE takeover would stabilize Rover financially, solidify the company's supply lines and open up a two-way street for the movement of technology between BAE and Rover.

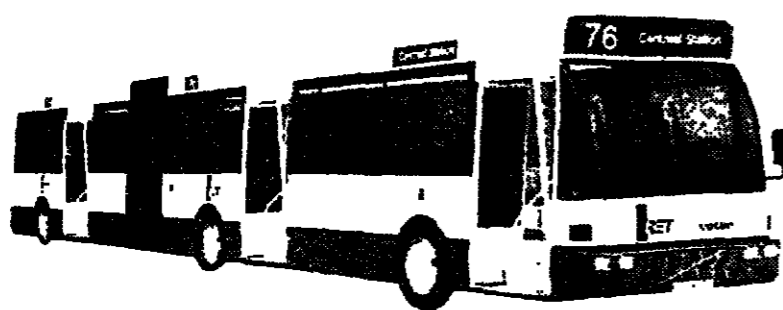
Timothy Harper

ny from the fickleness of both commercial and private vehicles sales, and to acquire the sort of companies (usually aerospace or electronics) that have production techniques familiar to auto plants and may offer the sort of technology required by the cars of the future. Synergy between the companies, in other words.

West Germany's Daimler Benz is the classic example of the long-thriving auto company that suddenly realizes that perhaps cars, no matter how well they are made or how well they sell, should not be its only product if it is going to guarantee long-term growth in competition with multinational conglomerates. The days of the corporate "monoculture" are ending.

Daimler spent, during 1985 and 1986, more than \$1 billion for three other well-known German corporations: AEG AG, the electronics giant; Dornier GmbH, the aircraft and space technology manufacturer, and Mo-

Automotive Ideas and Product-Developments for a Set Price



Articulated bus for the City of Rotterdam, designed by DUVEDEC.

In the world of the international automobile industry, Hans Botz knows that his company DUVEDEC is a leader in supplying design, technology and marketing solutions.

Being a trendsetter, he has made DUVEDEC grow quickly since its founding in 1983 because DUVEDEC supplies technologies and marketing solutions to the problems of clients in many industrial sectors.

"We like to think that our long-term relations with clients have created situations where clients know that we speak their language. That is our strong point as a company," remarked Mr. Botz. "Clients know that their ultimate goals are challenges we meet by providing our designs and concepts as solutions they seek."

DUVEDEC styles, designs, engineers, illustrates and creates models for major

international clients in the automobile, transportation, agricultural and automation sectors.

Being a young company yet with the long designing experience of Hans Botz who developed for Volvo, DAF (trucks and buses) and others, has the advantage that DUVEDEC can provide clients with the fresh thinking and fresh design concepts they demand.

DUVEDEC is one of the leading design firms in Europe because it has the capability to effectively merge three disciplines: technical and technological "know-how," aesthetics and trade professionalism.

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Briefs / People and Places

"The Social Dimension" Will Be A High Priority for Coming Decade

EC President Jacques Delors, in a belated but determined effort to broaden the scope of the 1992 program, has made union-worker participation a high priority. "1992 is much more than the creation of an internal market. It also is directed at improving workers' living and working conditions," he told the annual Trade Union Congress meeting in Britain earlier this month. He said that among the steps being contemplated by the Commission is a provision for worker participation in companies that adopt the proposed European corporate statute. The TUC gave him a warm reception, but Britain's Prime Minister Margaret Thatcher expressed annoyance with the "social dimension" he proposed. UNICE, the Brussels-based confederation of European employers organizations, views it as "a dangerous spreading" of long-established worker participation schemes in West Germany.

Edith Cresson, France's Minister for European Affairs, announced the establishment of a high-level committee of French businessmen, government officials and bankers to help the government prepare for 1992. Sectors include agribusiness, transport, energy, communications and audiovisual, regions and social affairs. The committee is likely to establish a new data bank providing on-line information about 1992, and will help the government of Prime Minister Michel Rocard prepare for negotiations as EC integration moves forward. The coordinator of the groups will be Bernard Esmerbert, chairman of Compagnie Edmond de Rothschild, a French banking group.

Switzerland's candidacy for EC membership was dealt a major blow by a comprehensive government report on European integration and 1992, published September 13. Prepared under the direction of Jean Pascal Delamuraz and Rene Felber, ministers in charge, respectively, of the economy and foreign affairs, the report concluded that the issue of EC membership would

immediately face "great difficulties" in foreign affairs (Swiss neutrality) internal politics (direct democracy among the 26 cantons), and key sectors of the economy (Swiss agriculture). Swiss officials said that Bern could continue pursuing establishment of preferential links with the EC, noting that 45 percent of Swiss investments are directed to EC countries and that the bloc represents about 72 percent of Swiss imports.

The EC Commission plans to propose a Common strategy for the auto industry following intense criticism of protectionist actions by France's trading partners made in July by Jacques Calvet, chairman of the Peugeot auto group. Mr. Calvet had also expressed fears of the growing power of environmental groups in Germany and Italy and flatly opposed plans to reduce exhaust emissions of small cars in the community. According to European Business, a Brussels-based newsletter, the commission plans to outline a strategy shortly that will take into account Japanese imports, shrinking export markets, direct Japanese investment in European assembly plants, takeovers and harmonization of taxes. The plan's goal, the newsletter reported, is to restore the industry's "international competitiveness and consolidate its role as the world's biggest producer."

Italy's telecommunications group Italtel has resumed talks for a sweeping alliance with one of several European competitors or with AT&T of the United States. The talks, which began earlier this spring, were halted following the sudden death of Maria Bellisario, Italtel's chief executive officer, on August 4. The goal is to position the state-owned group for expansion as telecommunications deregulation goes forward between now and the early 1990s. Although AT&T is widely regarded as the favorite, the European firms are fighting hard, including Alcatel of France, Siemens of West Germany and Ericsson

of Sweden. A decision is expected within about a month, Italian officials said.

Europe's Travel and Tourism industry looks at 1992 with a mixture of "hope and trepidation," according to a recent report by the Economist Intelligence Unit. Although the effects of a single market on scheduled or charter airlines may ultimately be passed on to European tour operators, Europe's retail agents will be hit hardest. "The impact on their business will be profound, and there is little they can do to prepare themselves until there is a clearer idea of how governments and airlines and tour operators are likely to react," the report states. Both the hotel and car rental sectors of the business are "already highly internationalized and sophisticated," the report said, but most sectors, with the exception of airlines, are "hampered in planning their reaction by having little to go on but speculation." Other conclusions: a uniform level of value-added taxes should benefit the travel business, along with free movement of labor.

Barbara Casassus is a Paris-based free-lance writer.

Timothy Harper is a London-based American journalist and lawyer.

Axel Krause, IHT corporate editor, is supervising the 1992 series.

Donald L. Kress is an advisor to the automotive industry.

Carolyn Pfaff is a Paris-based economic writer.

Edouard Seldier is a consultant and editorialist for L'Action Automobile.

Mark Snowdon is vice-president of Booz Allen and Hamilton, Paris.

Kevin White is the deputy editor of Industrial Computing magazine, London.

Cynthia Whitehead is the editor of European Environment Review.

New Se
Finds a
In Paris

Hippy

SJA MENKES

The heavy duty...
The heavy duty...
The heavy duty...

U.K. Film Fete
Unveils Program

When the event begins...
When the event begins...
When the event begins...

ARTS / LEISURE

New Sculpture Finds a Place In Paris Market

PARIS — A young auctioneer, 33-year-old Eric Couturier, is carving out a new market in an area the very existence of which is barely known to auction professionals — contemporary sculpture from the Paris school.

He goes around to sculptors' studios scattered over an area as far as 30 or 40 miles from the capital, where rents are too high for most artists. The result of his endeavors could be seen Monday at the Drouot auction house, where he was holding his fourth sculpture sale since he started in February last year.

The auctioneer was helped to some extent by a palpable yearning to buy. Couturier hedges his bets by throwing in a handful of works bearing the household names of 20th century sculpture and each one of these elicited an enthusiastic response.

death in 1933. The bronze sold for 21,047 francs. This was followed shortly by the two biggies in the sale, both carrying Rodin's signature. One was "L'Éternel Printemps," conceived by the artist in 1884 in a style bordering on kitsch — two lovers in the nude are embracing in improbably theatrical postures.

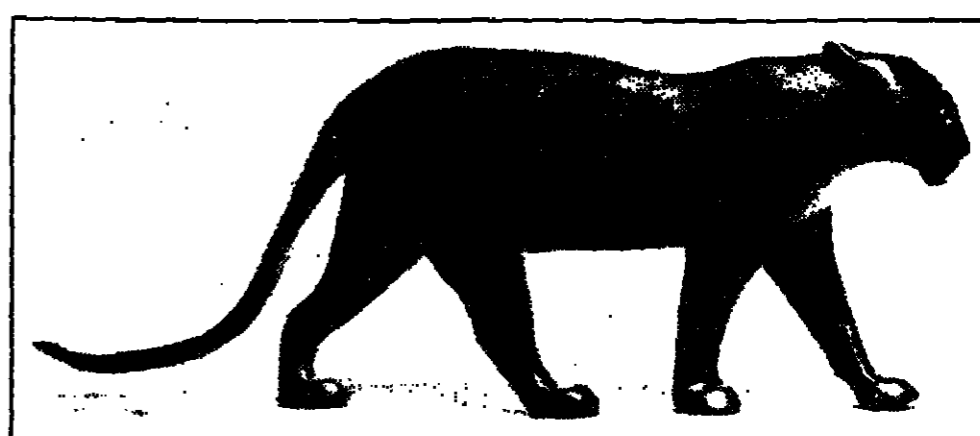
By comparison, the other Rodin, a real rarity, was not overpriced even if 555,980 francs is not exactly cheap for "Demalade," another nude in conventionally realistic style. The figure of a woman pressing her face on the rocky base was first modeled in 1885.

It says a lot for the skills of Couturier and Perrazzone that the contemporary pieces they picked up did not look absurd in this exalted context. Indeed some of their best discoveries were bronzes by artists working in a figurative tradition much influenced by Maillol if not by Rodin.



Aristide Patsoglou's "Le Baiser," left, fetched 9,414 francs in Paris auction, and Pompon's jaguar, a bronze cast of his 1925 model, sold for 21,047 francs.

Aristide Patsoglou's "Le Baiser," left, fetched 9,414 francs in Paris auction, and Pompon's jaguar, a bronze cast of his 1925 model, sold for 21,047 francs.



best years. "Suzanne au Bain," a standing nude woman modeled in 1948 and cast in a series of six in 1980, is remarkable for its elegant handling of the body. It sold for 21,048 francs to a Paris buyer who also acquired "La Jeunesse," another feminine nude, for 22,180 francs.

Lucien Gilbert, who was born in 1904 and died early this year, is another discovery in the Maillol line. Couturier and Perrazzone paid a visit to the artist in his Paris studio a few weeks before his death. Perrazzone says that the place filled with some monumental sculptures, was impressive. Gilbert had taken the initiative of calling them. Aware that he was critically ill, which he did not mention, he was eager to test the auction ground to find out about the public's reaction to which he had rarely been exposed.

Couturier and Perrazzone's most original discoveries were the younger generation. Aristide Patsoglou, a Greek born on the island of Lesbos in 1941 and trained at the Ecole des Beaux-Arts, has a studio in Saint-Leu la Forêt, northeast of Paris. He does scrappy human figures looking like apparitions from an outer world. "Le Baiser," a man and a woman standing and kissing

was made from welded steel as a single piece. A Paris buyer paid 9,414 francs to get it — a good score for an artist whose work had never appeared at auction.

At the other end of the aesthetic spectrum, an abstractionist trend inspires a whole range of highly diversified styles. Robert Perot's stands somewhere on the borderline separating evocative stylization from pure abstraction.

The potential of the market is substantial, both in terms of supply and demand, as could be judged from the prices paid for artists with established credentials. Antoine Poncet's abstraction titled "Totême" went up to 90,419 francs. The 109-centimeter (42.4-inch) bronze is a reduction of the monumental marble now standing on the

premises of the Crédit Lyonnais in New York. Poncet met Brancusi in 1950 and was Jean Arp's assistant for several years in the mid-1950s, and "Totême" reminds one of both. That faint impression of déjà vu combined with the seal of approval by one of France's leading banks gave it a boost.

Previous exposure also contributed to the other success story in contemporary art Monday. Apollis Fencot, who died early this year at the age of 89, left his hometown of Barcelona for Paris in 1921. He met the Surrealists and became friends with Picasso, who at one point owned about 100 Fencot bronzes. The 1929 crash drove him back home. He returned to Paris after World War II, but it was not until the 1950s that he developed his truly original manner, blending Surrealist teaching and abstractionist influence in fantastic sculptures half-vegetal, half-human.

Thirteen of the 30 bronzes that could be seen in a memorable one-man show at Paul Rosenberg's in October 1961 found their way into Couturier's sale. A Swiss buyer from Fribourg, bidding by telephone, paid 91,529 francs for "Feuille de Figuier," a bronze showing the imprint of a feminine body in the middle of a curling leaf. This is a lot of money for a contemporary bronze only 27 centimeters high. Couturier and Perrazzone seem to have hit a jackpot of sorts.

ANTIQUES

delft (the netherlands) 40th art and antiques fair



13th Oct. - 27 Oct. 1988 11.00 a.m. (sunday 1.00 p.m.) till 5.00 p.m. and also tue. and thu. evenings from 7.00 p.m. till 10.00 p.m. thu. 27 Oct. till 5.00 p.m.

Hippy Daze Is Here Again for Young Londoners

LONDON — A decade after the black shrouds of punk and 20 years after swinging London, British street style is letting the sun shine in.

Happy faces are the most visible sign of changing times. They come not so much in human form (although sullen aggression is out) but

as motifs and patterns. The sunny-side-up badge — a yellow disc with smiling face — is more than something to patch your blue jeans. It is also the symbol of Acid House, the current craze for upbeat, happy-holidays, synthesized disco music. It crept into Britain from Chicago via clubs with a tradition of soul music and is now pulsating through London venues with names like Heaven, Joy, The Trip, Shoom and Hedonism.

The hippy daze is here again in those clubs. And on the streets, kids, who were not conceived when Afghan coats and mirror-embroidered vests were hip in the 1960s, have brought the look back.

The basic Acid House kit is big and sloppy — baggy shirts loose pants and anything you can shake about in. With that goes stretch cycle shorts and fancy vests. Colors are as bright as an acid trip, patterns are psychedelic and the bandanna, tied gypsy style round the head, is a key accessory. Other spread-a-little happiness ideas are the heavy Doc Marten shoes or Converse All-Star baseball boots painted with the grin motif, or the inevitable printed T-shirts.

Behind this cheery fashion scene is a shift in young ideas, which suggests that "Thatcher's children," as the teen-age generation is called, are starting to turn their backs on the greed decade that gave us yuppies with business suits and designer Filofaxes. Yet at the same time, they reject the nihilism of punk. A hot-selling track when the music movement took off was called "The Only Way Is Up." It underlines the new optimism.

The Acid House fashion, like its music, is so far relatively uncommercialized, although a sharp fashion accessory company called Pink

Soda has already switched from the yuppified mock Hermès scarves and Chanel copy-cat chains to Happy Face fashions.

The mushroom growth of this new look has sprouted because it gives an outlet for the natural exuberance of youth, expressed in such a different form on London's streets by the elaborately painted faces and fantastic Mohican comb hairstyles of punk.

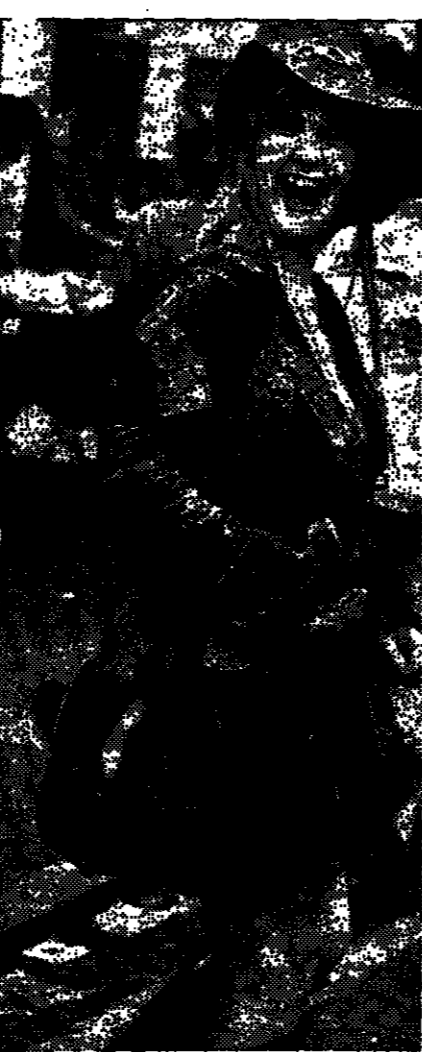
On weekends, London's Camden Lock is a good place to spot the smiles and to see the neo-hippie peacock parade.

"In the clubs, the music, as well as the clothes, is upbeat. "I think there's always been a lot of people who wanted to go out and have a good time," said Paul Oakenfold, 25, the disk jockey who pioneered Acid House music and played it at the Project Club in Streatham, South London. "But you couldn't really do it, either because the music being played was preaching violence and aggression," he told London's style bible I.D. "Or if you went out, ran around and jumped up and down, people would say 'what's wrong with him?' But now everybody's doing it."

The picture is not entirely rosy-tinted. Acid House is supposedly linked to the drug subculture with today's turn-on: the hedonistic Ecstasy, an inhibition-releasing laboratory chemical, rather than mind-expanding LSD. The D.J.'s involved in the young music cults of Rap, House and Acid House vigorously deny the connection, claiming that it is all in the minds of the magic mushroom generation, who respond to the word "acid."

That was taken from black Chicago slang "acid burning" meaning stealing. It gave the name to the music because sounds were "borrowed" or "stolen" and overlaid on to the basic fast beat of House music — an up-tempo 80s dance music — to become "Acid" House. Since the 1960 era of sex and rock 'n' roll, young music has been entwined with drugs. The Acid House happy face T-shirts certainly carry ambivalent messages that read: "Have a great trip" or "Turn on, tune in," or "Overdose on happiness."

They also say more simply



London street fashions: the baggy-hippie look, the signature happy face on a bag and a mirror-embroidered vest over a leather jacket.

"Have a nice day." The kids on the streets look as though they have taken that message to heart.

U.K. Fashion Award Margaret Thatcher named as British Fashion Designer of the Year. Rifat Ozbek, 36, who specializes in shapely and colorful clothes.

Ozbek, who was born in Turkey, was trained at St. Martin's College of Art and worked in Italy, before setting up his own company five years ago. Thatcher presented the award to Ozbek on Friday at a reception at her official residence at 10 Downing St. to mark the start of fashion week.

SATIRE IN WORDS AND PICTURES DOONESBURY DAILY IN THE IHT

U.K. Film Fete Unveils Program

LONDON — Organizers of the 134 London Film Festival unveiled on Thursday their 140-movie program.

When the event begins Nov. 10, 15 percent of the feature films will be by woman directors including female filmmakers from the United States, India, Switzerland, Brazil and Hong Kong.

Overall the movies will come from 35 countries and were billed as a "mix of prize-winning films, brand new finds, restored classics and the widest selection yet of documentary features and shorts in the leading uncompetitive film events of its kind in the world."

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Symbol	Vol.	High	Low	Last	Chg.
Vority	2,314	11.75	11.50	11.62	+0.12
AMEX	2,281	1.00	0.98	0.99	+0.01
AT&T	2,277	28.00	27.50	27.75	+0.25
IBM	2,277	114.00	113.00	113.50	+0.50
Walt Disney	2,277	114.00	113.00	113.50	+0.50
Walt Disney	2,277	114.00	113.00	113.50	+0.50
Walt Disney	2,277	114.00	113.00	113.50	+0.50
Walt Disney	2,277	114.00	113.00	113.50	+0.50
Walt Disney	2,277	114.00	113.00	113.50	+0.50
Walt Disney	2,277	114.00	113.00	113.50	+0.50

NYSE 4 p.m. volume	NYSE prev. close	AMEX 4 p.m. volume	AMEX prev. close
214,260,000	112,250,000	11,250,000	11,250,000
112,250,000	112,250,000	11,250,000	11,250,000
112,250,000	112,250,000	11,250,000	11,250,000
112,250,000	112,250,000	11,250,000	11,250,000
112,250,000	112,250,000	11,250,000	11,250,000

High	Low	Close	Chg.
156.81	156.50	156.81	+0.31
156.81	156.50	156.81	+0.31
156.81	156.50	156.81	+0.31
156.81	156.50	156.81	+0.31
156.81	156.50	156.81	+0.31

Friday's
NYSE
Closing

Via The Associated Press

Class	Prev.
Advanced	11.25
Declined	11.25
Increase	11.25
Total Issues	11.25
New Issues	11.25

Close	Chg.	Week	Year
1,214.14	+1.45	+1.45	+1.45
1,214.14	+1.45	+1.45	+1.45
1,214.14	+1.45	+1.45	+1.45
1,214.14	+1.45	+1.45	+1.45
1,214.14	+1.45	+1.45	+1.45

Vol.	High	Low	Last	Chg.
2,281	1.00	0.98	0.99	+0.01
2,277	28.00	27.50	27.75	+0.25
2,277	114.00	113.00	113.50	+0.50
2,277	114.00	113.00	113.50	+0.50
2,277	114.00	113.00	113.50	+0.50

Class	Chg.
Bonds	+0.12
Utilities	+0.12
Industrials	+0.12

Class	Prev.
Advanced	11.25
Declined	11.25
Increase	11.25
Total Issues	11.25
New Issues	11.25

Buy	Sell	'87	'88
1,125	1,125	1,125	1,125
1,125	1,125	1,125	1,125
1,125	1,125	1,125	1,125
1,125	1,125	1,125	1,125
1,125	1,125	1,125	1,125

Open	High	Low	Last	Chg.
2,125	2,125	2,125	2,125	+0.12
2,125	2,125	2,125	2,125	+0.12
2,125	2,125	2,125	2,125	+0.12
2,125	2,125	2,125	2,125	+0.12
2,125	2,125	2,125	2,125	+0.12

High	Low	Close	Chg.
278.17	277.50	278.17	+0.67
278.17	277.50	278.17	+0.67
278.17	277.50	278.17	+0.67
278.17	277.50	278.17	+0.67
278.17	277.50	278.17	+0.67

Class	Prev.
Advanced	11.25
Declined	11.25
Increase	11.25
Total Issues	11.25
New Issues	11.25

High	Low	Close	Chg.
302.25	301.14	302.25	+1.11
302.25	301.14	302.25	+1.11
302.25	301.14	302.25	+1.11
302.25	301.14	302.25	+1.11
302.25	301.14	302.25	+1.11

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

NYSE Surges on Jobless Data

NEW YORK — Prices on the New York Stock Exchange surged Friday in heavy trading as Wall Street embraced an unemployment report that analysts believe could lessen inflationary pressures and reduce the need for further interest rate rises.

The Dow Jones industrial average soared 42.50 points to close at 2,150.25. For the week, the 30-stock average gained 37.34 points, or 1.8 percent.

Advances swamped declines by 3 to 1 among the 1,944 issues traded. Volume swelled to 214.4 million shares, up from the 153.6 traded Thursday.

Before the market opened, the Labor Department announced that unemployment fell to 5.4 percent in September from 5.6 percent the month before.

However, the report showed that nonfarm payrolls rose by only 255,000, well within market expectations. In addition, the rise in nonfarm employment in August, originally reported at 219,000, was revised downward to 169,000.

"This is a replay of Sept. 2, when the August numbers were surprisingly soft," said Larry Wachtel, a market analyst with Prudential-Bache Securities Inc., noting that the Dow jumped 52 points after the August report.

"The reason the report is so critical, and why it sparks such a reaction, is that it marks the pace of the economy and shows that August was not a lot of hot air," Mr. Wachtel said.

"The only thing that matters to the market is interest rates," he added. "When rates rise mon-

ey goes to bonds. When rates fall money goes to stocks.

"Anything that suggests a moderation in economic growth is embraced by the street," he said. The report signals a slowing trend, not necessarily a recession. And under those circumstances, there is no reason for the Fed to tighten."

Broad-market indexes also posted sharp gains. The NYSE composite index rose 2.88 to close at 156.81. Standard & Poor's 500-stock index jumped 5.68 to 278.07. The price of an average share added 61 cents.

Ernst & Young Inc., chief technical analyst with James Montgomery Scott Inc. in Philadelphia, said the unemployment figures were a plus for the stock market, but he suggested the data reinforced a generally upward trend.

"The stock market has been building momentum for the past month or so," Mr. Peroni said. "The market would have rallied no matter what — unless the number had been really bad. The die had been cast for a rally whether or not this number was the propellant."

He said the near-term outlook was "the most favorable that I've seen in months."

Variety was the most active issue, up 1/4 to 3. Kroger followed, down 1/8 to 58. The company said its board rejected the latest takeover proposals from Kohlberg Kravis Roberts & Co. Pillsbury was third, down 3/4 to 57 1/2.

Prices closed higher in moderate trading on the American Stock Exchange.

The Amex market value index rose 2.68 to close at 302.25. The price of an average share gained 11 cents.

12 Month High	Low	Stock	Div. Yld. PE	52 High	Low	Open	Close	Chg.
170	165	AA	3.6	14	19	28	28	+0.12
170	165	AA	3.6	14	19	28	28	+0.12
170	165	AA	3.6	14	19	28	28	+0.12
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170	165	AA	3.6	14	19	28	28	+0.12

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170	165	AA	3.6	14	19	28	28	+0.12
170	165	AA	3.6	14	19	28	28	+0.12

12 Month High	Low	Stock	Div. Yld. PE	52 High	Low	Open	Close	Chg.
170	165	AA	3.6	14	19	28	28	+0.12
170	165	AA	3.6	14	19	28	28	+0.12
170	165	AA	3.6	14	19	28	28	+0.12
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170	165	AA	3.6	14	19	28	28	+0.12
170	165	AA	3.6	14	19	28	28	+0.12
170	165	AA	3.6	14	19	28	28	+0.12

Foreign Exchange

London 1.5425
Paris 1.5425
Tokyo 1.5425

Other Dollar Values

Canada 1.0000
Australia 1.0000
New Zealand 1.0000

Forward Rates

30 days 1.0000
90 days 1.0000
180 days 1.0000

Commodity Report

Oil 1.0000
Gold 1.0000
Silver 1.0000

Key Money Rates

100 days 1.0000
200 days 1.0000
300 days 1.0000

(Continued on next left-hand page)

ECONOMIC SCENE

Foreign Holdings in U.S. Become Political Issue

By LEONARD SILK

NEW YORK — This week's takeover bid of \$5.23 billion by Grand Metropolitan PLC, the food, drink and retailing group based in Britain, for Pillsbury, the American company that owns Burger King, and sells food ranging from ice cream to frozen vegetables, dramatizes the drive of foreign investors to acquire a bigger stake in the American economy.

Foreign direct investment in the United States rose to an annual rate of \$53.4 billion in the second quarter of this year from \$39.9 billion last year and \$11.5 billion five years ago, according to the calculations of James J. O'Leary, economic consultant to U.S. Trust Co., drawing on data from the Federal Reserve and the Commerce Department.

But those figures understate the total dollar value of foreign acquisitions of American companies, since many are financed with dollars raised right here in the American capital market, which does not affect the balance of international payments.

Roger Kubarych, manager of Henry Kaufman & Co., estimates that foreign mergers and acquisitions, however they were financed, ran at an annual rate of \$75 billion in the first half of this year and will constitute about one-fourth of total merger and acquisition activity in this country in 1988.

Is this good or bad for the United States? The issue is moving up on the political agenda. In Wednesday night's debate between the vice presidential candidates, Senator Lloyd Bentsen, discussing the national debt, said: "So we go out and we try to sell our securities every week, and hope that foreigners will buy them, and they do buy them. But every time they do, we lose some of our independence for the future. Now they've turned around and they've bought 10 percent of the manufacturing base of this country. They bought 20 percent of the banks. They own 46 percent of the commercial real estate in Los Angeles. They're buying America on the cheap."

SENATOR DAN QUAYLE, later in the debate, responded that "you have got to see why we are a debtor and what is attracting the foreign investment into our country today, whether it's Japanese or others." He said he would rather have foreigners investing here than going elsewhere, because that created American jobs here.

"Do you realize that today we are producing Hondas and exporting Hondas to Japan," he added. "We are the envy of the world." Why are foreign takeovers of American concerns on the rise? The most common explanation in business and financial circles is the one suggested by Senator Bentsen: that with the dollar so low against foreign currencies, and so many dollars in foreigners' hands because of the U.S. budget and trade deficits, foreigners can buy up American companies at bargain-basement prices. But the cheap-dollar explanation is simplistic.

For while the dollar, even with its recent strengthening, enables foreigners to buy American corporations at low prices relative to assets priced in foreign currencies, the future stream of profits issuing from those acquired American assets will also be acquired in the form of cheap American dollars, yielding low returns when expressed in foreign currencies.

Hence, foreigners appear to be gambling that, down the road, the dollar will come back and investments made "on the cheap" will pay off in appreciated dollars.

That could be a risky gamble. Many economists, including the

Outside investment is \$53.4 billion a year. It was \$11.5 billion five years ago.

U.S. Jobs Post Gain In Month

Figures Spur Rise On Stock Market

By John M. Berry

WASHINGTON — The U.S. civilian unemployment rate last month dropped back to its July level of 5.4 percent, after rising to 5.6 percent in August, the Labor Department reported Friday. The proportion of the working-age population holding jobs reached a record 62.4 percent.

Financial markets reacted favorably to the report because it eased fears that the economy was overheating. The Dow Jones industrial average closed at 2,150.25, up 42.50, while the yield on 30-year Treasury bonds fell 14 points to 8.81 percent, the lowest level since mid-April.

The dollar, however, ended lower in New York and London.

The department also said that payroll employment rose by 255,000 in September. About 140,000 of the jobs were in the private sector.

The payroll employment increase in August was revised upward to 165,000 from 219,000.

The lessened fears of an overheating economy also eased concerns that the Federal Reserve Board would find it necessary to boost interest rates prior to the U.S. presidential election.

David Wynn, an economist with Data Resources Inc., said the report aided the Republican presidential campaign of George Bush, which has stressed prosperity and job creation. "If George Bush were running the Bureau of Labor Statistics, he couldn't have put down any numbers better than this," Mr. Wynn said.

Governor Michael S. Dukakis of Massachusetts, the Democratic presidential candidate, has blamed the Republicans for continuing economic problems, such as the federal budget deficit and the large U.S. trade deficit. Rising interest rates could have been seen as evidence that U.S. prosperity was not as secure as Mr. Bush maintains.



One of Sears' new in-store appliance and home electronics outlets, known as Brand Central.

Sears Makes a Break With the Past

Tradition Yields to New Approaches, Such as 'McKids'

By Julia Flynn Siler

CHICAGO — Struggling to revitalize its lackluster general merchandise business, Sears, Roebuck & Co. is taking a lesson from the specialty retailer.

It is hoping for the same success by such specialty retailers as The Gap, Circuit City Stores, Toys 'R Us, and The Limited.

For the first time in the company's history, Sears opened the first of a series of in-store appliance and home electronics outlets known as Brand Central, which are offering large numbers of brand-name goods alongside Sears' private-label brands.

Sears has also been acquiring specialty-store chains like the Western Auto Supply Co., Eye Care Centers of America, and Finastripe Peties, a women's apparel chain.

In most cases it plans to operate them separately from the familiar Sears stores.

dissemination group, which provided 42 percent of Sears' net income last year and 58 percent of its revenues, continues to suffer lackluster earnings and falling market share.

The merchandise group earned \$207.5 million on sales of \$13.2 billion in the first half of this year, up 2.7 percent from the period a year earlier. But its domestic retailing profit, excluding tax credits, is about 40 percent below its peak five years ago.

"To arrest their loss of retail market share, Sears is becoming more like a specialty store," said N. Richard Nelson Jr., an analyst with Duff & Phelps in Chicago. "But I don't know if that addresses the fundamental problem within the stores."

Sears' market share in many categories, including home electronics and appliances, has fallen to 25 percent, from about 40 percent in the early 1980s, analysts estimated. By comparison, the market share of chains like Circuit City Stores and Highland Superstores, has climbed dramatically in that period, to more than 25 percent from 3 percent.

While some analysts argue that Sears' new merchandising efforts will yield significant results in several years, others contend that they are merely cosmetic, masking management's fundamental inability to compete with leaner and more nimble specialty retailers.

Moreover, the group's troubles have led to spec-

RTZ Sells Stake In Lasmco, Will Focus on Mines

By Warren Getler

LONDON — RTZ Corp., a British mining and energy group, disposed Friday of a 28 percent stake in London & Scottish Marine Oil PLC in a private placement to institutions valued at about £260 million (\$439.4 million).

The sale of the 51.85 million Lasmco shares through the London Stock Exchange confirmed RTZ's stated intent to withdraw from the capital-intensive oil industry.

Analysts said the move did not reflect an urgent need for cash, but was a well-planned move aimed at focusing the group's operations on its core mining business.

The analysis estimated RTZ's profit from the sale at about £100 million.

They said Lasmco, an independent oil and gas group already rumored to be a takeover target, was to play more than ever after the placement of the RTZ stake.

Lasmco has oil and gas assets in the North Sea, Indonesia, North America, Gabon and Australia.

There has been speculation that RTZ could make an offer for Consolidated Gold Fields PLC, which is the target of a takeover attempt by Minerals & Resources Corp., a South African-controlled investment group based in Luxembourg.

RTZ has been mentioned as a possible white knight for Consolidated Gold Fields to help fend off Minorco's £2.9 billion takeover attempt.

"RTZ is not desperate for cash," said Keith Morris, an energy analyst with Kitch & Aitken. "There's no indication that this placement was rushed. It seems to have been planned for weeks."

He said, "RTZ took a view on weak oil prices and the huge investment needed to develop its oil assets and decided it was best to take cash and reinvest" in its extensive mining operations.

"There's a chance RTZ could be interested in ConsGold, but the funds needed would be much more substantial," then those raised by Friday's placement, Mr. Morris said.

RTZ pushed the Lasmco shares

onto the market in early trading Friday through two London brokers, Cazenove & Co. and Kleinwort Greaves Securities, at a 10 percent discount to the market price of 550 pence per share.

Cazenove and Kleinwort bought the shares at 500 pence each, and then placed them with institutional investors at 505 pence, analysts said.

The RTZ disposal pushed Lasmco shares sharply lower in hectic trading on the London Stock Exchange. The shares shed 30 pence from Thursday to close at 521 pence.

The sale was the second major disposal of oil assets by RTZ since March. In March, the group sold its RTZ Oil & Gas unit to France's Elf Aquitaine for £308 million. RTZ's pension fund is expected to retain a stake of just under 2 percent in Lasmco.

RTZ acquired its holding in Lasmco in late 1985. It traded a 29 percent stake in Enterprise Oil PLC with Lasmco for a 25 percent stake in Lasmco. RTZ later raised its stake to 29.9 percent through market purchases.

Lasmco recently put up for auction its stake in Enterprise. The sale, analysts say, could raise up to £500 million because of the attractiveness of Enterprise's North Sea holdings. It would reduce Lasmco's £120 million indebtedness, provide cash for expansion and, importantly, bolster defenses against hostile takeover bids.

British Gas PLC, the recently privatized utility, is anxious to return to oil exploration and development and is widely believed to be studying a full takeover bid for Lasmco and, ultimately, for Enterprise.

British Gas made an unsuccessful raid on Lasmco in mid-September, picking up some 2 million shares, or 1.1 percent.

Other possible contenders for Lasmco, which is capitalized at just over £1 billion, and for Enterprise, capitalized at around £2 billion, are Elf Italiana SpA and Repsol, both of Spain, and several American companies, including Arco Oil & Gas Co.

Kroger, Rejecting 2 Offers, Reaffirms Its Restructuring

The Associated Press

CINCINNATI — Kroger Co. rejected Friday two buyout proposals by Kohlberg, Kravis, Roberts & Co. and reaffirmed its intent to go ahead with a \$4.6 billion corporate restructuring plan.

The rejection had prompted the dismissal of 300 headquarters employees, which was announced Thursday.

The supermarket giant said its directors unanimously rejected the latest unsolicited proposals made Tuesday by Kohlberg, Kravis, which is based in New York.

One Kohlberg, Kravis offer was to acquire Kroger for cash and securities valued at \$64 a share if certain conditions, including Kroger not paying a recently declared special dividend, were satisfied.

The other proposal calls for Kohlberg to acquire Kroger's common stock outstanding for \$13.50 a share if the special dividend totaling \$48 in cash and securities is paid. The offer would be equivalent to \$61.50 a share.

In New York, a spokeswoman, Ruth Pachman, said Kohlberg Kravis had no comment on Kroger's response.

Kohlberg's latest buyout offer of \$64 a share, or a total \$5.03 billion, represented a sweetened offer from a \$58.50 a share offer Kohlberg made after entering the bidding last month.

Dart Group Inc., of London, Mayfield, started the bidding Sept. 19 with an offer of \$55 a share, or \$4.32 billion. Dart has not made another buyout offer.

Kroger's chairman, Lyle Everingham, said the board again decided that Kroger's restructuring is preferable to selling the company because it gives shareholders an immediate cash dividend along with equity in a continuing company, although it would be smaller and more highly leveraged. As planned, the restructuring would leave Kroger independent and publicly owned.

Kroger has said its restructuring would require the layoffs announced Thursday and selling some real estate, supermarkets and convenience stores, as well as distribution and food-processing centers.

"Our program," Mr. Everingham said, "will permit shareholders to realize substantial immediate values on their common stock, while retaining the controlling equity interest in a company with a bright future."

Kroger shareholders have filed at least four lawsuits challenging management's decision not to sell Kroger.

"Kroger's board concluded that both these latest KKR proposals were inadequate and not in the best interests of the company, its shareholders and other constituents," Kroger said in a statement.

"In making its determination," the statement added, "Kroger's board considered various factors, including the opinion of the company's financial adviser, Goldman, Sachs & Co., that both KKR proposals are inadequate."

MCorp Seeking FDIC Aid With Recapitalization Plan

Compiled by Our Staff From Dispatches

DALLAS — MCorp, the second biggest banking company in Texas and the last of the state's major banks to avoid seeking outside help, said Friday it would ask the Federal Deposit Insurance Corp. for assistance with a proposed recapitalization.

The request will suggest that MCorp issue new capital from private investors, including current stockholders, to accompany the FDIC assistance, a company statement said.

"At this time it is not possible to determine the ultimate likelihood, amount, nature or timing of any FDIC assistance for any recapitalization," the statement said, "nor is it possible to predict the impact of the transaction on MCorp's stockholders and creditors."

The statement was issued by Gene H. Bishop, chairman and chief executive officer, and John T. Catter, president and chief operating officer.

A spokesman for the FDIC in Washington said the agency would not comment on the matter.

At the end of the second quarter, the company's nonperforming assets were \$1.774 billion, or 13.73 percent of the loans and other assets, compared with \$1.616 billion, or 11.93 percent.

In the second quarter, it reported net earnings of \$46.2 million, or 99 cents a share, which resulted mainly from the sale of its MTECH data-processing operations for \$215.5 million.

MCorp has 26 banks and 86 banking offices throughout the state.

Early this year, the FDIC rescued MCorp's rival, First Republic Bank, which lost \$2.25 billion in the first six months of 1988.

MCorp's stock dropped 50 cents to hit a low of 75 cents a share Tuesday but bounced back to \$1.125 on Thursday. Friday's announcement pushed it down to 87.5 cents. (AP, UP)

Interest Rates

Table with columns for currency, rate, and date. Includes entries for Amsterdam, Brussels, Frankfurt, London, Milan, New York, Paris, Tokyo, Zurich, and various interest rate types like 1-month, 3-month, 6-month, 1-year.

Other Dollar Values

Table with columns for currency, rate, and date. Includes entries for Argentina, Australia, Austria, Belgium, Canada, Chile, Denmark, France, Germany, Greece, Hong Kong, India, Italy, Japan, Korea, Luxembourg, Malaysia, Mexico, Netherlands, New Zealand, Norway, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, United Kingdom, West Germany, Yugoslavia.

Forward Rates

Table with columns for currency, rate, and date. Includes entries for 30-day, 60-day, 90-day, 120-day, 150-day, 180-day, 210-day, 240-day, 270-day, 300-day, 360-day.

Currency Rates

Table with columns for currency, rate, and date. Includes entries for 1-month, 3-month, 6-month, 1-year, 2-year, 3-year, 4-year, 5-year, 10-year, 20-year, 30-year.

Key Money Rates

Table with columns for currency, rate, and date. Includes entries for 1-month, 3-month, 6-month, 1-year, 2-year, 3-year, 4-year, 5-year, 10-year, 20-year, 30-year.

Asian Dollar Deposits

Table with columns for currency, rate, and date. Includes entries for 1-month, 3-month, 6-month, 1-year, 2-year, 3-year, 4-year, 5-year, 10-year, 20-year, 30-year.

U.S. Money Market Funds

Table with columns for fund name, rate, and date. Includes entries for Merrill Lynch Ready Assets, 30-day average yield, 7.27, Yatero Interest Rate Index, 7.27, Source: Merrill Lynch, Pierce, Fenner & Smith.

Gold

Table with columns for currency, rate, and date. Includes entries for New York, London, Zurich, Geneva, Frankfurt, Amsterdam, Paris, Milan, Rome, Athens, Madrid, Barcelona, Lisbon, Oporto, Algiers, Casablanca, Rabat, Tunis, Cairo, Alexandria, Beirut, Damascus, Baghdad, Tehran, Ankara, Istanbul, Ankara, Athens, Madrid, Barcelona, Lisbon, Oporto, Algiers, Casablanca, Rabat, Tunis, Cairo, Alexandria, Beirut, Damascus, Baghdad, Tehran, Ankara, Istanbul.

Advertisement for THE NEW YORK LOTTERY. Features a large 'WIN \$40,000,000' graphic and text: 'That's Forty Million U.S. Dollars! Pick Your Own Numbers Play Lotto 6/54 Get Rich in America's Biggest Lottery'. Includes details about the lottery rules and how to play.

Advertisement for CIRCLE YOUR NUMBERS. Features a grid of numbers for a lottery game. Text: 'Subscribe Now! Think what a jackpot of \$40,000,000 could mean to you - You must play to win.' Includes instructions on how to play and where to purchase tickets.

Friday's NYSE Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Table with columns: 12 Month High Low Stock Div. Yld. PE 52 High Low Close. Lists various stocks and their performance.

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U.S. Futures

Table showing U.S. Futures prices for various commodities like Wheat, Corn, Soybeans, etc.

Table showing U.S. Futures prices for various commodities like Lumber, Cotton, etc.

Table showing U.S. Futures prices for various commodities like Gold, Silver, etc.

Food

Table showing Food futures prices for items like Coffee, Sugar, Cocoa, etc.

Table showing Food futures prices for items like Orange Juice, etc.

Table showing Food futures prices for items like Copper, Aluminum, etc.

Foreign Exchange

Table showing Foreign Exchange rates for various currencies like British Pound, Swiss Franc, etc.

Table showing Foreign Exchange rates for various currencies like Japanese Yen, etc.

Table showing Foreign Exchange rates for various currencies like Gold, Silver, etc.

Grand

Text block under 'Grand' header, possibly an advertisement or news snippet.

Lotus S

Text block under 'Lotus S' header, possibly an advertisement or news snippet.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week and not the latest trading day.

NYSE High-Lows

Table listing NYSE High-Lows for various stocks.

AMEX High-Lows

Table listing AMEX High-Lows for various stocks.

Irving Board Approves Merger With BONY

NEW YORK — The directors of Irving Bank Corp. approved Friday a \$1.5 billion merger with Bank of New York Co., ending a yearlong takeover battle, the two banks announced.

Ivory Coast Holds Price on Cocoa

ABIDJAN, Ivory Coast — Ivory Coast, the world's biggest cocoa producer, has promised to pay its cocoa farmers the same price for another year, resisting international pressure for a cut.

London Metals

Table listing London Metals prices for various metals.

London Commodities

Table listing London Commodities prices for various commodities.

Paris Commodities

Table listing Paris Commodities prices for various commodities.

Spot Commodities

Table listing Spot Commodities prices for various commodities.

Company Results

Table listing Company Results for various companies.

United States Advanced Micro Devices

Table listing United States Advanced Micro Devices for various companies.

American President Cos

Table listing American President Cos for various companies.

DM Futures Options

Table listing DM Futures Options for various companies.

Newsweek Plans 10% Cut in Staff

WASHINGTON — Newsweek magazine, faced with a shrinking advertising base, will offer early retirement to 100 editorial and noneditorial employees, or about 10 percent of its work force.

Alco Health Services Studies Other Options

VALLEY FORGE, Pennsylvania — Alco Health Services Corp. says it is studying new ways to increase shareholder value.

OHIO INTERNATIONAL

Text block under 'OHIO INTERNATIONAL' header, possibly an advertisement or news snippet.

BUSINESS ROUNDUP

Grand Met Is Sharpening Its Focus on the Food and Beverage Industries

By Steve Lohr
New York Times Service
LONDON — The fast-paced deal-making in recent days by Grand Metropolitan PLC represents the last crucial stage in an aggressive corporate overhaul intended to turn the British conglomerate into one of the world's leading food and beverage companies.

Grand Met's chief executive officer, Allen J.G. Sheppard, has been pursuing the goal since he took the company's helm two years ago.
The sale last week of its Inter-Continental Hotel chain for \$2.27 billion and subsequent bid Tuesday to acquire Pillsbury Co. for \$5.23 billion reflect Mr. Sheppard's dual strategy of internal growth and acquisitions.

The sale of Grand Met's Inter-Continental chain, which included 100 hotels, was last big step in a series of strategic sales that Mr. Sheppard has labeled "operation de-clutter."
The sale represented the final break with Grand Met's origins in the 1950s when Sir Max Joseph, the founder, began building the company with a handful of hotels.

Pearle Health Services Inc., the largest U.S. eyeglass retailer, Pearle, with 1,000 outlets, was purchased in 1985 for \$385 million.
"Today, Grand Met is a much more focused company than it was a few years ago," said Ian A. Martin, chief executive of the company's U.S. operations.

In particular, Grand Met would get rid of Pillsbury's Distron division, which sells food and other supplies to Burger King outlets. Distron alone is estimated to have lost \$10 million last year. Pillsbury's overall earnings fell 62 percent, to \$62 million, on sales of \$6.19 billion.

Lotus Stock Falls on Program Delay

NEW YORK — The price of stock of Lotus Development Corp. tumbled Friday following news the company once again delayed introduction of its next generation spreadsheet software program, confirming fears on Wall Street that the company's problems are more severe than expected, analysts said.

The new program, called Release 3, is now at least a year late. Lotus announced the updated spreadsheet in April 1987 and scheduled delivery for June 1988. In March, it said the product would not be ready until the fourth quarter.

Some analysts have criticized Lotus for failing to disclose the extent of the difficulties it is having with the product.
The upgrade, which analysts concede is a complex job, will allow Lotus 1-2-3 to run faster, print more sophisticated graphs and link and combine many spreadsheets.

Mercedes Says Growth Will Slow in U.S.

GROSSE POINTE SHORES, Michigan — Mercedes-Benz of North America, a subsidiary of Daimler-Benz AG of West Germany, has said it expects several years of slower growth of its luxury car sales in the United States because of competition from Japanese and European companies.

ERICH KRAMPE, president of the U.S. unit, said Thursday that the company was forecasting sales of 80,000 to 83,000 cars in the United States in 1989, up slightly from the 80,000 units are expected to be sold in 1988.

He said the company believed it would lose market share to competitors as they increase sales at a faster rate.
" Selling 100,000 is not in our vision for, let's say, the next five years," he said.

SEARS: Chain Leaves Tradition Behind, Moves Into Specialty Retailing

(Continued from first finance page)
ulation that Sears' \$48 billion retail, financial-services and real-estate empire may be worth more in parts than as a whole.

Brand Central has begun, Mr. Bozic said the results had been encouraging.
He also said that the addition of brands that traditionally competed with Sears' Kenmore line had not eroded Kenmore sales, as some analysts had predicted.

They provide us with an opportunity to know the specialty retailer, which has gained a large and larger segment of the market," said Mr. Goldstein, who conceded that the chains were unlikely to quickly make substantial contributions to the merchandise group's financial results.

NTT Share Price At Low for Year

TOKYO — Share prices of Nippon Telegraph & Telephone, Japan's largest telecommunication company, sank to a 1988 low Friday on the Tokyo Stock Exchange.

The stock ended at 2,05 million yen (\$15,350) per share. NTT opened trading at 2,08 million yen, then recovered fractionally to reach 2,09 million yen. But it then lost ground, hitting 2,05 million yen at the close.

NTT's shares came under active selling by investors uncertain about the future of their NTT investments, brokerage sources said.

20th Century-Fox Indicted For 'Block Booking' Films

LOS ANGELES — A federal grand jury in New York has indicted 20th Century-Fox Film Corp. and one of its Midwest branch distribution managers, charging them with criminal contempt for allegedly "block booking" several of the studio's motion pictures.

Block booking is a practice whereby a distributor requires a theater owner to show one or more less popular movies in order to obtain the right to exhibit a highly popular one. It is prohibited by a 1951 consent judgment signed by all the major Hollywood film studios, including 20th Century-Fox.

The indictment alleges that in 1985, the studio required several exhibitors to book the movie "Johnny Dangerously" in exchange for the right to show the more popular "The Flamingo Kid." That same year, the company booked its enormously successful "Cocoon" on the condition that exhibitors also take "Prizzi's Honor," according to the indictment.

How to Reach Belgium

knack
The weekly Flemish news magazine for a thinking reader (F8)
413,700 CDM-readers (F8)

LE VIF L'EXPRESS
The weekly news magazine for the French speaking part of Belgium 406,700 readers (SOBEMAP 10 002 '88)

Trends
The weekly magazine for economy and finance (Dutch and French) 218,400 CDM-readers (F8)

sport
The weekly magazine for sports and leisure (Dutch and French) 291,700 readers (Socomag 10 000 '88)

industrie
The monthly magazine for production and technique 42,700 CDM-readers (F8)

onze tijd
The monthly entertainment magazine Circulation: 90,000 ex.

notre temps
The monthly entertainment magazine Circulation: 90,000 ex.

For information, please contact: Boukarts Media nv: Louis Schmidlaan 97, 1040 BRUSSEL, Tel. 027736 11 75, Telex 25425

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Dollar

NEW YORK — The dollar fell to a new low against the Swiss franc...

Drop in C

NEW YORK — A sharp drop in the price of oil has helped to lift the dollar...

Oil

Oil prices fell sharply on Saturday, pushing the dollar higher...

Fridays AMEX Closing. Tables include the nationwide prices up to the closing on Wall Street...

Table with columns: 12 Month High/Low, Stock, Div. Yld. PE, % Chg. High/Low, Close, % Chg. High/Low, Close. Lists various stocks and their performance.

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ADVERTISEMENTS INTERNATIONAL FUNDS (Quotations Supplied by Funds Listed) Oct 7th, 1988

Large table listing various international funds with columns for fund name, share price, and other details.

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Floating-Rate Notes

Table listing floating-rate notes with columns for currency, rate, and other details.

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CURRENCY MARKETS

Dollar Weakens on U.S. Jobs Data

NEW YORK — The dollar closed lower against most major foreign currencies on Friday after U.S. unemployment figures for September indicated an easing of concerns about inflation.

Table with 3 columns: Currency, Rate, and Change. Includes entries for Deutsche mark, French franc, and British pound.

The U.S. Labor Department reported that nonfarm employment rose by only 255,000, well within market expectations. In addition, the rise in nonfarm payrolls in August, originally reported at 219,000, was revised downward to 169,000.

Profit-Taking Lowers Gold

NEW YORK — Gold futures prices dropped Friday in New York after an early rally in a slow market that was hurt by profit-taking.

Drop in Crude Price Leads to Lower Inflation Forecasts

NEW YORK — A sharp drop recently in crude oil prices has encouraged U.S. economists to take a second look at their inflation forecasts.

INVEST: Foreigners Gamble on Higher U.S. Dollar

(Continued from first finance page) advisers of the presidential candidates, expect the dollar to go lower rather than higher to reduce the trade deficit.

Gregg A. Jarrell, professor of economics and finance at the William E. Simon Graduate School of Business Administration of the University of Rochester, contends that many foreign investors do not realize how much of an exchange-rate gamble they are taking by regarding the cheap dollar as an extra inducement for a strategic move into the huge, growing and politically stable U.S. market.

Foreigners were likely to continue to shift from U.S. government securities and other debt instruments to real investment in productive assets in this country. Their "gamble" would pay off if the dollar strengthens and American dollar profits, denominated in foreign currencies, rise even further.

Foreigners Buy More Japanese Stocks

TOKYO — Foreign investors were net buyers in September of Japanese stocks on the Tokyo, Osaka and Nagoya exchanges, according to Friday figures released Friday. It was the first time this occurred since April.

U.S. Business Leaders Expect Slowdown in 1989

HOT SPRINGS, Virginia — The nation's business leaders, enjoying high profits from the strongest economic growth in four years, said Friday they expect a slowdown in 1989.

Excitatives ranging from John S. Reed, the chairman of Citicorp, to Roger B. Smith, chairman of General Motors Corp., said their industries were generating very strong earnings.

Nevertheless, members of the Business Council, composed of 62 chief executives of large U.S. corporations, say they would prefer less robust growth and a "soft landing" next year to higher inflation, rising interest rates and finally a recession, or a "hard landing."

Their economic advisers expect almost no progress through 1990 in shrinking the budget deficit from the 1987 level, and expected a 1988 level of about \$150 billion.

Drop in Crude Price Leads to Lower Inflation Forecasts

NEW YORK — A sharp drop recently in crude oil prices has encouraged U.S. economists to take a second look at their inflation forecasts.

Carl Palash, a senior economist at McCarty, Crisanti & Maffei, estimates that a sustained \$12.50 price on West Texas Intermediate could bring fourth-quarter annualized inflation down between one and two points from his current forecast of 4 to 5 percent.

Even if oil remains at about \$12 a barrel, he said, the domestic demand created by lower fuel prices would put an extra strain on industries already nearing capacity, such as steels, plastics and chemicals.

So you would have extra pressure on those price setters to alter their spending patterns, actually feeding inflation from another side, Mr. Fabbri said.

Friday's OTC Prices

NASDAQ prices on 4 p.m. New York time. This list, compiled by the AP, consists of the 1,000 most traded securities in terms of dollar volume.

Via The Associated Press

Table of NASDAQ OTC prices for various stocks including AAW, ABB, ABC, etc.

Table of stock prices for various companies including ABB, ABC, ACD, etc.

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Friday's AMEX Closing. Tables include the nationwide prices as of the closing on Wall Street and do not reflect late trades elsewhere.

(Continued)

BOOKS

THE FIRST SALUTE

By Barbara W. Tuchman. 347 pages. \$22.95. Alfred A. Knopf, 201 East 50th Street, New York, N.Y. 10022.

Reviewed by N. A. M. Rodger

THERE has been a good deal of comment recently on how much — or how little — geography Americans learn in school. Something similar might be said about history, with the difference that the problem is not so much one of simple ignorance as of myths pretending to be facts. In the case of the American Revolution, a justifiable pride in the achievements of their ancestors has obscured for most Americans the extent to which the rebellion survived through the intervention of European powers. Above all, too few Americans realize that the decisive battle of the war — the Battle of Chappaque Bay — was fought at sea, and that the French Navy made an American victory possible.

It is this ignorance that Barbara Tuchman sets out to correct in her new book, in which she tells the story of how, for their own reasons, the Dutch and the French came to the aid of the struggling rebels: Dutch merchants with vital munitions, the French government with troops, money and — in the end the decisive factor — a fleet in full command of the sea on the coasts of America. She does not say much about the considerable contributions of Spain and Russia, or the lesser roles of other European powers.

It was very much to be desired that a writer of Barbara Tuchman's stature should explain the French and Dutch contributions to American independence but, unhappily, the explanation is less clear than it might have been. The narrative line is rambling, sometimes sliding into lengthy irrelevances, sometimes leaping abruptly to an unconnected subject, continually looping back to repeat or contradict itself.

What is even more distressing in a historian of Tuchman's known talents is that her sources are extremely inadequate. There can hardly be a subject in history on which more, and often better, books have been written in the last 30 years than the American Revolution, and yet in far too many instances Tuchman ignores these in favor of elderly, derivative and superficial works. It is perverse to write the history of the war at sea from Mahan's "The Influence of Sea Power upon History" (published in 1890 and dependent on secondary sources

of 60 years before) instead of Jonathan Doll's excellent modern study. It is characteristic of this book that the verdict quoted from "a modern historian" turns out to be from a book for boys published in 1911.

The natural consequence of relying on such sources is inaccuracy, superficiality and the resurrection of old fallacies, all of which are unkindly exposed by the author's weakness for sententious generalization. Moreover, in dealing with French and Dutch history (which she takes back to the 16th century, in confusing and surely needless detail), she has used only works in English.

Barbara Tuchman is unfortunately entirely ignorant of everything to do with the sea, and her attempts at explanation will be unintelligible to novice and expert alike. On land she is less adrift, but she knows almost nothing about 18th-century politics, about the relationships and duties of king, Parliament and ministers in Britain or their equivalents elsewhere, and she confuses the Admiralty and the Navy Board. Alarming errors of fact undermine the reader's faith in confidence at every turn. We are told, for instance, that William IV succeeded as stadtholder in the Netherlands in 1702 (45 years before the office was revived, and nine years before he was born). Tuchman apparently does not know who won the battle of Bunker Hill, and still believes the decrepit myth that American backwoodsmen proved superior to British regular troops in open battle — the reader will naturally wonder why, if so, Washington bothered to raise the Continental Army.

Only in the final chapters does Tuchman begin to show how capable a writer she can be. In describing the desperate situation of the rebellion in 1781, the extreme-risky plan that Washington and the French adopted as a last resort, and the successive pieces of good luck and good management by which they achieved a crushing victory against all expectations, her narrative has real pace and conveys mounting excitement as events move toward their climax. The whole book could have been like this, and the pity is that it seems to fail from lack of effort rather than ability. This reads like an indolgent first draft of a work which, with plenty of hard work in rewriting and checking, might have become a good tale, well told.

N. A. M. Rodger, an official of the Public Record Office (the British national archives), is the author of "The Wooden World: An Anatomy of the Georgian Navy." He wrote this for The Washington Post.

World Stock Markets

Via Agence France Presse Closing prices in local currencies, Oct. 7

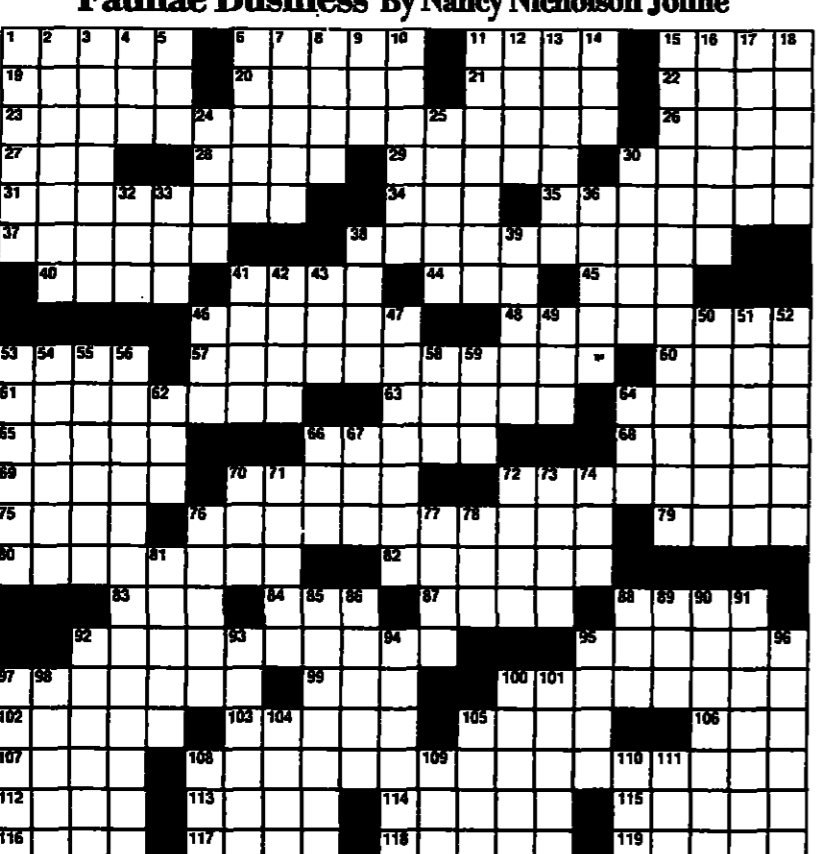
Table with columns for Amsterdam, London, Hong Kong, and other markets. Includes sub-sections for Amsterdam, London, Hong Kong, and others.

Table with columns for Tokyo, Singapore, Manila, and other markets. Includes sub-sections for Tokyo, Singapore, Manila, and others.

Table with columns for various international stock markets including Zurich, Toronto, and others.

Table with columns for various international stock markets including Montreal, Sydney, and others.

Faunae Business By Nancy Nicholson Joline



© New York Times, edited by Eugene Malachuk.

- ACROSS: 1 Ornamental stud, 6 Beel palm, 11 Designer, 15 Painter Benjamin, 19 More cunning, 20 Ancient Greek populace, 21 Willow, 22 First Chinese dynasty, 23 A work by Bernard collaborators?, 26 Agenda component, 27 Play dir, 28 City in S France, 29 Giraffe's kin, 30 Suffragist Lucy, 31 King Mark's castle, 34 Female swan, 35 Steno's need, 37 Strut, 38 Apian darners?, 40 Meclampus, for one, 41 Sheet of stamps, 44 Paulo, Brazil, 45 Manor or tutor ending, 46 Nicaraguan rebel, 48 Keeps in office, 53 In a frenzied state, 57 Leftist clupeids?, 60 Exclamation of relief, 61 Greediness, 63 A main street in Roma, 64 Kingling's Khan, 65 Portable lodge of a certain shape.

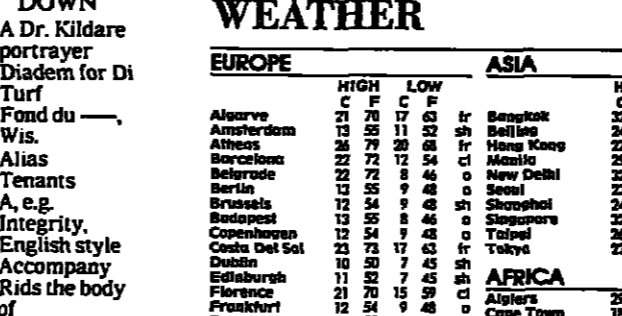
DOWN

- 18 Emulated Petrichio, 24 Former, 25 Hungarian prime minister, 26 Twists, 30 Bargain, 32 Tea, in Tours, 33 Rhine feeder, 36 Some of Tony's kin, 38 Withered, 39 Norse Fates, 41 Wilbur or Merrill, 42 Judge Hardy's offspring, 43 Utmost, 46 Dermier, 47 Toxicophiles, 49 Kind of trip, 50 Marilyn's "Bus Stop" role, 51 Opera's Stratos portrayer, 52 Bonbons, 53 Ark's landfall, 54 Actor once called The Hulk, 55 Kitchen item, 56 Marsupial motel?, 58 Deteriorate, 59 Author Levin, 62 Parts of dolls, 64 Hit-show warning, 66 Joad and Kettle, 67 Williams athlete, 70 A whale, 71 Hold tightly, 72 Incite, 73 Saws with the grain, 74 Hampshire's home, 76 Snatch forcibly, 77 Indonesian island, 78 "Clown," Porter tune, 81 Some neckwear, 2 Nimbi, 3 Freedom, 4 "and Meek," comic strip, 5 Refrain syllable, 6 Confound, 7 Shays or Tyler, 8 Cassowaries' cousins, 9 Mountain pass, 10 Slanting, 11 Oberon's spouse, 12 On a pinnacle, 13 Vitus, Danish navigator, 14 Affirmation, 15 Plastered pachyderm?, 16 Bars, legally, 17 Home of St. Catherine, 83 "... of little faith?", Matt. 8:26, 84 Some hosts, for short, 87 Grouse, 88 Poem by Byron, 92 Equine political demand?, 95 Howard and Russell, 97 Long-legged shorebirds, 99 Joplin work, 100 Callas's style of singing, 102 A King of Crete, 103 Disagreeable task, 105 Nostra, 106 Twitching, 107 N.L. batting champ: 1966, 108 Canine dental visit?, 112 Sigma, 113 Entreat, 114 Stale, 115 "Ici on", francais, 116 Spanish painter, 117 Editor's notation, 118 Follower of sixth, 119 Ledger item.

WEATHER

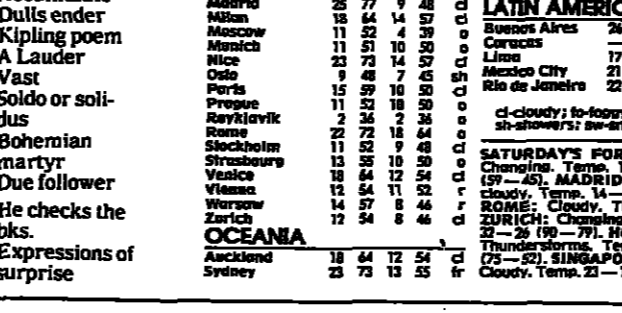
Table with columns for EUROPE, ASIA, NORTH AMERICA, and other regions. Includes sub-sections for EUROPE, ASIA, NORTH AMERICA, and others.

ANDY CAPP



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REX MORGAN



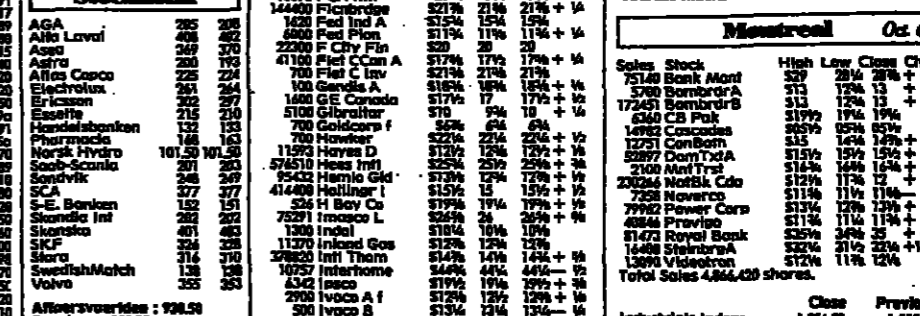
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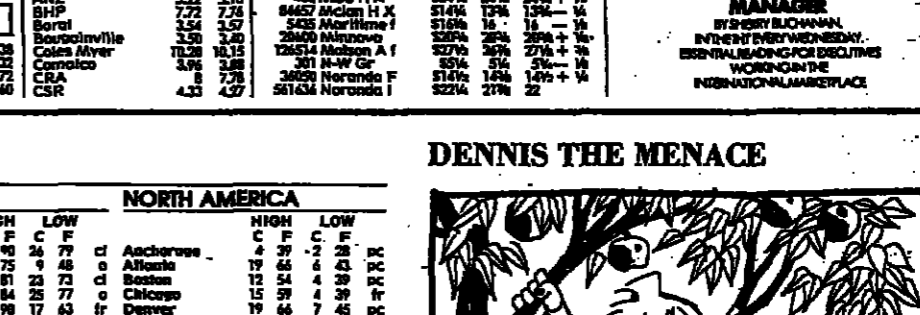
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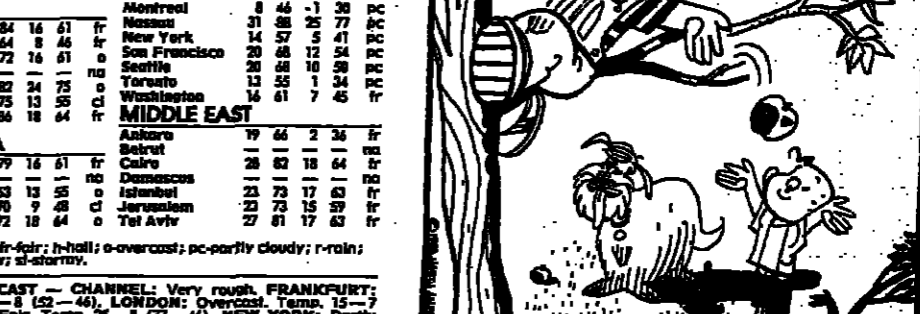
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BEETLE BAILEY



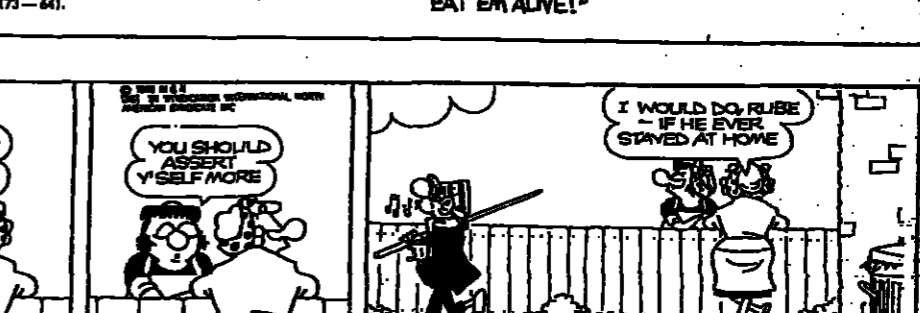
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Various advertisements including 'After Bronco', 'NFL Preview', 'Johnson's', 'Dennis the Menace', 'Tyson's Wife', 'Scorebo', 'Hockey', and 'Wales Conference'.

SPORTS

After Losing Killer Instinct, Broncos Search for Stability

By Thomas George
NEW YORK — Coach Dan Reeves was mulling over his game plan for Sunday's contest against San Francisco and was reminded that his Denver Broncos had three straight victories against the 49ers.

most versatile back, Roger Craig. Nevada odds-makers favor the 49ers by 6 points.

Redskins coach, "but if we put a string together we'll get back in this thing. I think we can. It's still awfully early." The string Gibbs is trying to avoid is a Redskins third straight loss, and that hasn't happened since his first season (1981), Redskins by 1.

NFL PREVIEW

American Conference champions the last two years.

Denver has suffered rare losses at Mile High Stadium this season, to the Seattle Seahawks and to the Los Angeles Raiders. It has lost on the road to Kansas City, the Chiefs only victory in five games.

NATIONAL CONFERENCE
Chicago Bears (4-1) at Detroit Lions (1-4): These teams are as opposite as their records indicate. The Lions haven't lost big. They've simply lost. They seemingly always find a way to collapse against Chicago — the Bears have won the last seven in this series. The Bears lead the league in rushing and are the league's best defending the run. Bears by 7.

Los Angeles Rams (4-1) at Atlanta Falcons (1-4): Would you believe the Falcons have posted 300-plus yards of offense in each of their last five games? Would you believe in this series that each team has won at home in each of the past three seasons? Do you really believe the Falcons can keep it up? Rams by 7.

AMERICAN CONFERENCE
Indianapolis Colts (1-4) at Buffalo Bills (4-1): The Colts have lost four games by a total of 17 points. In the Bills' first loss last week, they were dominated by 21 points by Chicago. Buffalo gained no yards rushing last week. Bills by 5.

Seattle Seahawks (3-2) at Cleveland Browns (3-2): "I told everyone 2-0 didn't mean a thing," said Chuck Knox, the Seahawks coach, after Seattle's quick start and then skid. In this one, Seattle would love to revert its old ways. Seattle has won the last three meetings by a total of 88-22. Cleveland has forced five turnovers in each of its last two games and is limiting opponents to only 29.2 percent completion of third-down plays. Browns by 3.



Jose Canseco slams a two-run homer off Boston's Roger Clemens.

Oakland Wins, Leads 2-0

By Thomas Boswell
WASHINGTON Post Service
BOSTON — Walt Weiss, known primarily for his defense, singled home Ron Hassey from third base with two out in the ninth inning Thursday night, lifting the Oakland Athletics to a 4-3 victory over the Boston Red Sox and a 2-0 lead in the American League playoffs.

AL PLAYOFFS: GAME 2
starters. Bruce Hurst and Roger Clemens, to take a commanding lead back to Oakland. Red Sox hopes lay, unequivocally, with Clemens, the best pitcher in baseball during the past three seasons with a 62-23 record and 785 strikeouts. But Clemens ended the season this year only 18-12.

After getting 16 outs in the first 16 men he faced, Clemens allowed his first hard-hit ball in the sixth when Phillips fouled off two full-count pitches, then laced a fastball up the gap in left on one skip off the wall for a standup double. But Clemens then struck out the side.

Fenway Taunts Continue
Chants of "Steroids" and "Just say no, Canseco" continued in Fenway Park in an attempt by Red Sox fans to upset the concentration of Jose Canseco. The Associated Press reported from Boston.

Johnson's Pistol Is Seized

TORONTO — The police said Friday that they had seized a starter pistol from Ben Johnson's Porsche after a motorist said the Olympic sprinter, who was stripped of his gold medal in a drug-scandal, pointed a gun at him while driving on a highway.

INTERCONFERENCE

Miami Dolphins (2-3) at Los Angeles Raiders (2-3): Miami hasn't beaten the Raiders in six straight games. Miami had hardly beaten anyone of notice until it ripped Minnesota last week, 24-6. Now that the Raiders are of particular notice, Jay Schroeder is still leaning the Raiders offense. Dan Marino, the Dolphins quarterback, has to take advantage of a still ailing Raiders secondary. Raiders by 2.

Outcome Back East Rests on Pitching

By Richard Justice

LOS ANGELES — The National League Championship Series has moved east, after the Los Angeles Dodgers finally proved the New York Mets to be something less than invincible.

By Tracy Dodds

INGLEWOOD, California — For dramatic effect, as if more were needed, the houselights were dimmed and the Los Angeles Kings skated onto the ice at the Forum one at a time, gliding through the spotlight into their places in the lineup for the season opener Thursday night.

Mets Pitcher Quits His Moonlighting

The Associated Press

NEW YORK — David Cone, the New York Mets pitcher, has apologized in print to Jay Howell and the Los Angeles Dodgers and announced his retirement as a sportswriter after three columns in the New York Daily News.

2 Managers Out

By Tracy Dodds

SEATTLE (AP) — The Seattle Mariners have cleaned house by firing manager Jim Snyder and three of his coaches.

Thomas on a Roll

By Tracy Dodds

WINDSOR, Ontario (AP) — The Detroit Pistons have made guard Isiah Thomas the highest-paid player in club history, agreeing to a contract that will pay him a reported \$16 million over the next eight years.

Tyson's Wife Is Said to Seek Divorce

LOS ANGELES — Robin Givens is filing for divorce from heavyweight champion Mike Tyson, her lawyer, Marvin Mitchell, said Friday.

SCOREBOARD

Table with columns for Hockey, Baseball, and Transition. Includes NHL Standings and Playoff Box.

SIDELINES

Ballesteros Wins
WENTWORTH, England (UPI) — Mark McCumber, four up with 11 to play, lost to Spain's Severiano Ballesteros at the 37th hole as three American golfers tumbled out of the \$450,000 World Matchplay Championship on Friday.

Great Night for the Prince of the Kings

By Tracy Dodds

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